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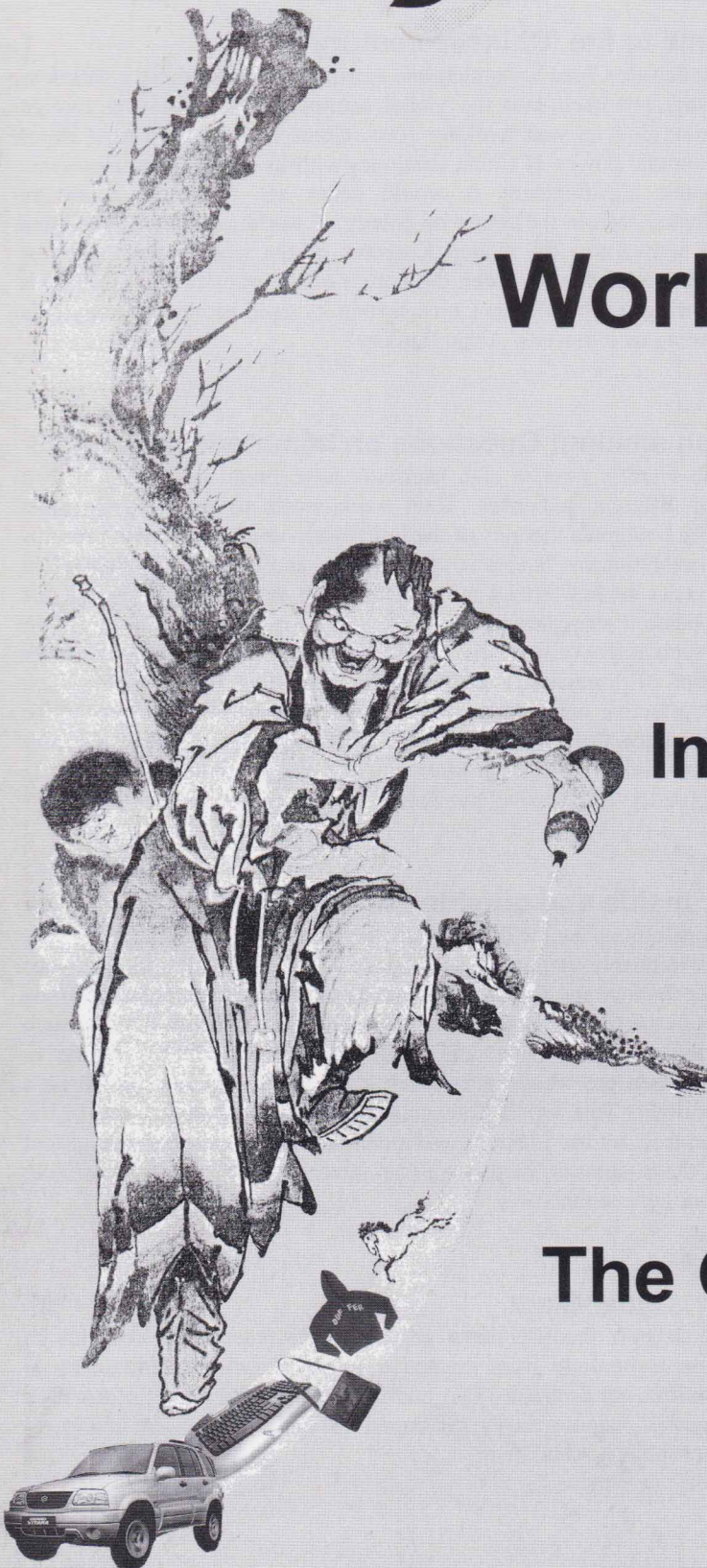
Aufheben

**China and
World Capitalism**

**Negri, Hardt and
Immaterial Labour**

CyberMarx

The G8 at Gleneagles



£3

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Welcome to the 'Chinese century'? 1

In the last decade China has undergone a major economic transformation as it has integrated itself into the global economy. By harnessing foreign capital to exploit its vast working class, China has emerged as a major world economic power. If China continues with its current prodigious rate of economic development it would seem set to bring about an unprecedented shift in the centre of gravity of world capitalism. As China is poised to overtake the United Kingdom as the world's fourth largest economy we ask what has been the nature of the transformation that has been occurring in China? Can China sustain its rapid economic growth? Is China leading us into a new Asian Century?

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Negri and Hardt's *Empire* and *Multitude* have found popularity with a variety of different audiences. Their work seems to integrate the most fashionable bourgeois theories of the last twenty years. But it also presents itself as revolutionary. It claims to reveal the anti-capitalist tendencies in the emergence of new social movements, such as the Zapatistas and the anti-GM peasant struggles in India, as well as in 'new' forms of labour practice, such as Toyotism. This 'new' synthesis is strung together through the concept of 'immaterial labour'. We argue that, by grouping such different 'affective and communicative' practices together as productive labour, the concept of 'immaterial labour' both reproduces in inverted form the productivism of objectivist Marxism, and also serves as a justification for a supposedly 'progressive' present.

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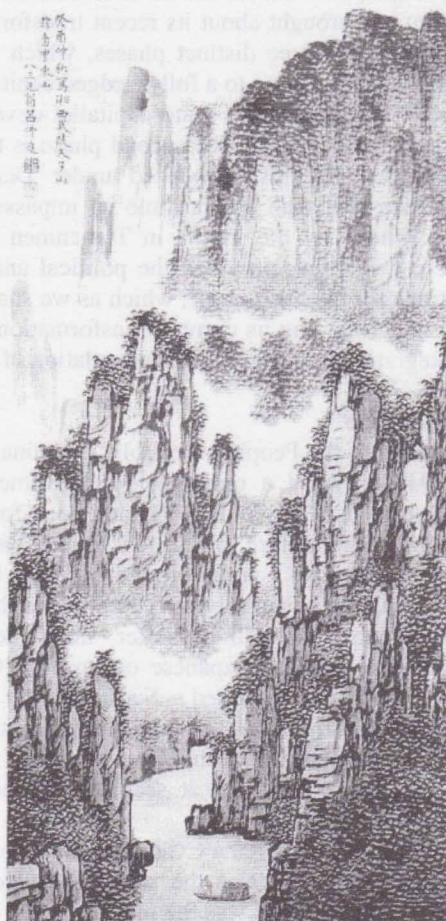
The demonstrations and actions against the G8 summit in Scotland in July 2005 were probably the largest mobilisation of the British 'anti-capitalist' activist scene since the Carnival against Capital which memorably turned into a riot in the City of London in June 1999. Also this was the first such summit demonstration to be held in Britain since the WTO protests in Seattle launched the whole anti-globalisation movement into the world's media spotlight. This article considers the attempted recuperation of the summit protests by the Labour government and the increasingly ritualised form of these summit demonstrations and suggests some underlying connections between the two.

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Certain bourgeois theorists have proposed that recent developments in information technology have created a world in which communism is neither possible nor desirable. This book is a response to these 'information revolutionaries', arguing for the continued relevance of Marxism in a world of 'high-technology' capitalism.



Welcome to the 'Chinese century'?



China's transformation

It is perhaps difficult to overstate the sheer immensity of the transformation that is being wrought in China. In merely a few years, entire cities have been summoned into existence and vast industries have been brought into being - as China has emerged from being widely regarded as a peculiar autarchic rural backwater, which was geo-politically significant only for having the bomb and a large army, to being recognised as a major economic powerhouse on the world stage.

Despite repeated predictions in the past that she was heading for a fall, China has sustained a frenzied pace of economic growth - averaging almost 10% a year over the last two decades. Indeed, in the last quarter of a century China's economy has quadrupled in size. What is more, China's economy has not only grown but has had an increasing impact on the world economy. From being almost negligible twenty years ago, China's share of world trade has grown to 13%.

Such sustained rapid economic expansion has led many to see China's continued advance as inevitable. If the last century was the 'American Century', then, it is predicted, China, closely followed by its rapidly growing neighbour India, is leading us into an 'Asian Century'. Certainly if we simply extrapolate from the past this would seem to be the case. Already China is at the point of overtaking the UK to

become the world's fourth largest economy. If her growth rate remains as high relative to the world's major economies, then China can expect to overtake Germany and Japan early in the next decade to become the world's second largest economy. By sometime in the second quarter of this century China would then be expected to be overtaking the USA.

Yet, at this point we should perhaps sound a note of caution. In the face of a bewildering array of statistics about China, which in the past couple of years have abounded in the bourgeois press, we should be wary of being taken in by the latest fads of the investment salesmen. China is where the money is to be made, and, as the dot.com boom showed most clearly, where there is big money to be made there is hype.

Nevertheless the transformation of China and its integration into the global accumulation of capital in recent years raises important issues for understanding the world we find ourselves in and the possible developments in the future. Already, as we shall see, China's transformation has become central to the relocation of manufacturing industry, which was brought about through the restructuring of world capitalism in the 1970s and 1980s. As such, China's economic advance has already had an important impact on the development of capitalism and the class struggle that has emerged within and against it. If China is destined to replace the USA as the world's new hegemon then this would involve an unprecedented political and economic shift of tectonic proportions in the world capitalist system.

Indeed, China's emergence as a major economic power raises crucial questions. What has been the transformation that has occurred in China in recent years? Can China sustain its current rapid economic growth? Can China really become a serious challenger to US hegemony? If so, what implications will this have for world capitalism and the class struggles that may emerge within and against it?

These are certainly wide ranging and formidable questions, and we can only hope to put forward rather tentative answers in this article. In doing so we shall confine ourselves to attempt to bring out the immediately apparent objective tendencies of the current historical dynamic of China's economic transformation and its integration into global capital accumulation. Class struggle will only be taken in its result, as we develop our analysis in the reified terms of geo-politics and global political economy that immediately confront us. Of course, this, as we readily admit will be one-sided - we shall be considering merely the logic of capital itself. However, we see this article as a first step in addressing an issue that still remains *terra incognita*. In the next issue we hope to go beyond this to consider how the transformation of China is bringing about class re-composition and new class struggles.

This article comprises of two parts. In Part I we shall briefly consider China's economic transformation of recent decades. In Part II we shall see how this transformation has led to China's integration into the global accumulation of capital and the implications this has for both China and the world.

Part I: China from Mao to now

Introduction

The dominant view of China's transformation, and one that underpins much of what passes for analysis in the bourgeois press, is that of what may be termed fabian neo-liberalism. According to this view China, since the beginnings of liberal economic reforms in 1978, has been in the process of making the transition to a 'free market economy'.

Under Mao, we are told, China was a predominantly peasant economy that was mired in poverty and economic stagnation. China, like the USSR at the time, had been held back for decades by a naturally bureaucratic and inefficient state-run command economy. However, with Mao's death an enlightened faction of the Communist Party leadership around Deng Xiaoping saw the error of their ways. They discarded the politically correct boiler-suited austerity of Maoism and began the long and difficult process of overcoming vested special interests to bring about liberal economic reforms. Looking to Adam Smith, rather than Marx, Deng called on the Chinese people to enrich China by enriching themselves and expanded the role of the market at the expense of the state.

It is then concluded that the natural economic superiority of the market combined with the inherent entrepreneurial inclinations of the Chinese people, which for so long had laid dormant under Mao, has led to the rapid economic growth and prosperity that we witness today. For our fabian neo-liberals China is the model of a successful 'emerging market economy', which provides a lesson for all those nations seeking to make the transition from a command economy to a 'free market economy'.

However, in the 1970s, Mao's China had been held up as a model for 'third world' developing economies seeking to modernise and industrialise. For Western development economists and theorists, including many that were not necessarily on the left, China's socialist model had succeeded not only in achieving high rates of industrialisation but had combined this with a high degree of equality of wealth and income, as well as meeting the basic needs of the vast majority of its population.

Indeed, for the socialist opponents of our fabian neo-liberals, the liberal economic reforms introduced since Mao's death may have enriched tens of millions of Chinese, and in doing so created an affluent Western-style middle class, but it has only done so by plunging hundreds of millions into economic insecurity and exploitation. As such, for these socialists, the 'transition to a free market economy' is merely a euphemism for the restoration of capitalism. As they correctly point out, the economic reforms of the last two decades have led to a particularly ruthless Dickensian capitalism. Hundreds of millions of Chinese have lost access to even the rudimentary health care offered under Mao. Tens of millions are unemployed and the number of beggars and people living on the street has grown enormously. Others have been forced to work sixteen hours a day with only one day off a month in factories where health and safety regulations are regularly flouted.¹

However, while the socialists do well to expose the realities behind the so-called 'transition to a free market economy' it remains a moral critique. In accepting the exploitation of the working class and peasantry under Mao as necessary to develop the forces of production they can then not deny that Deng's 'restoration of capitalism' has also led to the rapid development of the productive forces.

We shall now sketch out the economic development of China that has brought about its recent transformation. In doing so we define three distinct phases, which we see as phases in China's transition to a fully fledged capitalism. The first phase is that of China's state capitalist development,² which occurred under Mao. The second phase is that of the liberal economic reforms introduced under Deng in the 1980s, which as we shall see ran into an impasse that was brought to a head by the events in Tiananmen Square in 1989. These two stages provided the political and economic pre-conditions for the third phase, which as we shall argue is the key to understanding its current transformation, which is China's integration into the global accumulation of capital.

China under Mao³

The declaration of the People's Republic of China (PRC) on October 1949 crowned a remarkable achievement by the Chinese Communist Party (CCP). Having been formed only twenty eight years before by a few dozen intellectuals inspired by the Russian Revolution, the CCP had brought to completion, what they themselves recognised, as the Chinese national bourgeois revolution. After three decades of warlordism, civil war and Japanese occupation, China had been more or less reunited. Furthermore, with the expropriation of foreign capitalists, landlords and their allies, who had for so long held back the development of capitalism in China, the way was open, it seemed, for the national accumulation of capital.

But any hopes that the CCP might be able to preside over a 'mixed economy' and the gradual development of Chinese capitalism - which was the most the CCP had hoped for in the economically backward conditions they found themselves in - was soon shattered by the outbreak of the Korean War. Within less than a year of the proclamation of the PRC American troops were within striking distance of the Chinese border. The People's Liberation Army, despite often facing overwhelming enemy firepower, succeeded in forcing the American forces back, but at the cost of more than a million casualties.

Although the Korean War was considered a heroic victory, it was a victory that seemed only to buy time. Sooner or later, it was feared, there would be a US-backed invasion from the nationalist stronghold of Taiwan. As a result, it soon became clear to the leadership of the CCP that if they

² The question of whether China was state capitalist under Mao is beyond the scope of this article. We recognise that our theory of state capitalism (see 'What was the USSR?', *Aufheben* # 6-9) is perhaps too abstract to take account of the peculiarities of China and requires further development. We hope to address this question in more detail in the future article which will consider the transformation of the class and production relations in China since Mao.

³ For a more detailed account of the Maoist period see, Maurice Meisner, *Mao's China: A History of the People's Republic* (Free Press 1977). For a history of the reform period see, Gordon White, *Riding the Tiger: The Politics of Economic Reform in Post-Mao China* (Macmillan, 1993).

¹ See Robert Weil, *Red Cat, White Cat: China and the Contradictions of 'Market Socialism'* (Monthly Review Press, 1996) and Martin Hart-Landsberg and Paul Burkett, *China and Socialism: Market Reforms and Class Struggle* (Monthly Review Press, 2005).

were to defend the hard won gains of the national revolution from American imperialism then it would be necessary to build modern well-equipped armed forces. Yet modern armed forces needed tanks, artillery, battleships and high explosives and, to build these on the scale that was necessary to ward off attack, China required heavy industry. It was therefore clear to the leadership of the CCP that China had to industrialise, and it had to industrialise fast.

As a result, in 1952 China moved decisively towards a command economy and state capitalism. A programme of nationalisation was launched - which within four years was to bring almost all trade, commerce and industry into public ownership - and the first five-year economic plan was drawn up designed to galvanise what was still a predominately peasant economy for the colossal task of rapid industrialisation.

As now the sole employer, the Chinese state assumed the direction of labour, determining who worked where and when, through its various employment bureaux. It also imposed a national eight-grade wage scale. At the same time, the government raised taxes on the peasantry, which were often collected in kind, and, exploiting its position as sole purchaser, paid low prices for the main staple agricultural produce. As a result, the incomes of workers, peasants and indeed the cadre of lower echelons of the Party-State were screwed down to a minimum.

However, although wages, salaries and incomes were pressed down to a minimum, the state ensured through the *danwei* system and the policy of the 'iron rice bowl' that they were secure, and provided a basic system of welfare for the mass of the working population - a great boon for many Chinese at that time who had only known years of war and uncertainty.⁴ As a consequence, the state was able to maintain social peace as well maximising the surplus product appropriated from the workers and peasants. The surplus product, through the economic plan, was then being concentrated into the construction of heavy industry and military production. Through most of the period under Mao more than 30% of national output was devoted to investment, and in the peak year of 1957 this rose to almost 50%.

With Russian aid and technical assistance, the first five-year plan proved to be a remarkable success, with many of the highly ambitious targets being met well ahead of schedule. However, by the mid-1950s it was becoming clear that plans to maintain rapid industrialisation would soon run into the limits imposed by the low productivity of traditional Chinese agriculture. The land reforms, which had followed the expropriation of the landlords, had left land in the hands of a mass of individual peasant households, many of whom were barely able to produce much more than their own subsistence let alone provide food for an expanding industrial workforce.

The solution proposed to deal with this problem was the collectivisation of agriculture. The amalgamation of the small plots of the individual peasant households into larger units, it was argued, would facilitate the introduction of modern farming methods, the more rational use of labour and above all the mechanisation of agriculture. It was also seen as a means of forestalling the emergence of a distinct class of rich 'Kulak' peasants that could undermine the CCP's political control of the peasantry and its ability to wage political campaigns exhorting the peasantry to increase production.

At first, the state planners had envisaged a gradual programme of collectivisation that would take perhaps almost a generation to complete. For them the overriding imperative was the construction of heavy industry and there were very few resources to spare for the construction of tractor plants and other industries producing agricultural inputs. In spite of this, under the slogan 'collectivisation before mechanisation', Mao pressed for a rapid acceleration of the programme of collectivisation leading to what was to become the disastrous 'great leap forward'.

However, although the more grandiose schemes for uniting agriculture and industry in huge rural communes were abandoned, the essential features of what was to become identified as the particularly Maoist model of development remained in place. Under the authority of the rural communes the under-used labour of the peasants during the slack times of the agricultural calendar was mobilised for major projects of land reclamation, irrigation works and road building; as well as for the establishment and running of rural industries producing inputs for agriculture, such as fertiliser plants, tractor repair units and so forth.

By using highly labour intensive techniques, particularly for the major construction and reclamation projects, such rural development made minimal demands on the industrial sector of the economy for inputs and instruments of production. Rural economic development could run side by side with rapid industrialisation or, as Mao put it, China could 'walk on two legs'.

As a result, at the time of Mao's death in 1976, China was far from being 'mired in economic stagnation'. If the years of political and economic disruptions of the Great Leap Forward (1958-61) and the Cultural Revolution (1966-9) are excluded, industrial production grew at over 10% a year under Mao, turning China into the sixth biggest industrial producer in the world. Not only this but, although it expanded far slower than industry, agricultural production was still able to keep ahead of the growth in China's population.

Thus, it may be said, by maintaining national integrity against the threat of imperialist intervention, and through a high rate of exploitation of the workers and peasants, Mao's autarchic command economy was to provide the basis for the subsequent phases in China's transition towards capitalism.

The First Wave of Reforms

Although China was neither mired in stagnation like the USSR, or facing an acute economic crisis at the time of Mao's death, there were certainly dark clouds on the horizon.⁵

⁵ The question of how far the liberal economic reforms introduced in the late 1970s were a result of clear plan on the part of Deng

⁴ The *danwei* system has been the form of social organisation that characterised China's urban workplaces. Translated into English as 'work unit', its function, however, was far broader than this term suggests. At a basic level its role was to administer the 'iron rice bowl' of welfare and social guarantees to the working class in the form of subsidised housing, cheap food and medicine, health care and pensions to name but a few. In addition it carried out essential monitoring and regulating functions. As such the *danwei* played an important role in integrating the working class within the Party-State.

Firstly, though there had been improvements in health and welfare provision, the personal incomes of the mass of the working population had barely risen since the 1950s.⁶ It was not clear to many in the leadership of the CCP how far such a state of affairs could continue. Secondly, with the abandonment of the unpopular policy of sending youth to be 'educated by the peasants' in the countryside, there was a growing problem of urban unemployment, particularly among the educated sons and daughters of party cadres.

Of course, within the command economy the state could have simply raised incomes of workers and state-officials by upwardly revising the national wage scales. Likewise, for the peasantry, it could have cut agricultural taxes and raised prices on agricultural produce. At the same time, the state could have made work for the unemployed.

However, all three measures would have increased the necessary labour required to reproduce the working population and thereby would have squeezed the amount of surplus labour the state could appropriate for accumulation. Not only this, increased personal incomes, once spent, would have led to a rise in the demand for consumer goods. This would have meant that a larger proportion of the diminished surplus labour that was appropriated would have to be invested in the expansion of consumer-oriented industries at the expense of heavy industry and military production. Yet, by the late 1970s, much of the heavy industry constructed in the 1950s was reaching the end of its useful life, and in the coming decade or so would have to be replaced or modernised. There was therefore a contrary economic imperative to increase the amount of surplus product devoted to investment in heavy industry.

The obvious resolution of this problem was to raise the productivity of labour, but the autarchic command economy, which had grown up under Mao, imposed formidable barriers for such a solution. Firstly, China's isolation, particularly following its break with the USSR in 1960, had meant that much of Chinese industry remained technologically backward. Capital accumulation had been largely extensive, that is it was expanded by simply building more factories and plants employing more or less the same technology that had been inherited from the 1950s. As a result the growth in labour productivity remained sluggish.

The political and collective integration of the large sections of the industrial working class into the Party-State through the mediation of the *danwei* system was perhaps an important reason why China had been able to avoid the phenomena of endemic waste that in the USSR had led to falling labour productivity. However, the *danwei* system did serve to prevent attempts to introduce new working practices that would have intensified labour and raised the rate of exploitation. Moreover, the *danwei* system gave the workers a certain collective power of veto over the running of their factories. At the same time, factory managers and party secretaries in the workplace owed as much allegiance to 'their' *danwei* as they did to the imperatives of increased production emanating from higher levels of the Party-State. Even if they were inclined to take on their workforce, with life-long employment guarantees and nationally set wage

rates, factory managers had neither the carrots nor the sticks to overcome resistance to any intensification of labour.

As far as industry and urban areas were concerned, the problems facing the leadership of the CCP, of potential unrest arising from low wages and urban unemployment, of the need to replace obsolete industrial capacity and the sluggish growth in the productivity of industrial labour, were all of medium to long term nature. Far more imminent were the problems that were arising in agriculture, and indeed it was the attempts to address such problems that were to trigger the subsequent avalanche of liberal economic reforms of the 1980s.

In the 1950s, the role of the CCP and the PLA as both protectors from the predations of landlords and the Japanese occupying forces and champions of the poor and oppressed members of the village communities, was still fresh in the memory of China's peasantry. At that time the campaign for collectivisation had served to revitalise the support of an increasingly urban centred CCP within rural areas. However, by the 1970s such memories would have faded. For the peasant, the CCP appeared in the figure of the Party boss of the commune demanding backbreaking work on local construction projects or else in the guise of the tax collector or grain procurement officer. With such divisions between the peasantry and the Party-State, rural collectives would have only served to strengthen the bargaining position of the peasants. By the mid-1970s, the state was finding it increasingly difficult to appropriate a surplus product from the peasantry. Indeed, the amount of grain procured from the peasantry had stagnated and had even begun to decline.

Following experiments in various areas around the country, in 1980 it was announced that fundamental economic reforms of agriculture were to be rolled out on a national scale. Firstly, agricultural collectives were to be broken up and the state would draw up contracts for the purchase of staple crops with each individual peasant household. Secondly, the peasant household would be free to sell anything they produced beyond the production quotas agreed in their contracts in local markets. Thirdly, the communes were to be stripped of many of their functions, including their powers to mobilise corvée labour, and be renamed township or village authorities. In addition, in order to give an incentive to increase production, procurement prices for agricultural products were raised by 20%.

On the basis of the land reclamation, more efficient irrigation and improved road and communication, which had been brought about by past corvée labour which had been mobilised by the communes and from which they were now freed, together with the incentives provided by the rise in procurement prices, peasants were able to concentrate on expanding agricultural production. As a result, there was a substantial spurt in the growth of agricultural output. This immediate success of agricultural reforms served to build political momentum for the much more far-reaching reforms that were introduced in the early 1980s.

There were three main planks in what we term the first wave of liberal economic reforms, which occurred in this period. Firstly, several maritime provinces and cities in the south of China were designated as 'Special Enterprise Zones' (SEZ). Within these zones the prohibitions on small to medium sized 'private businesses' were lifted and the regulations on foreign trade and commerce were lifted. Secondly, the central plan was pruned back. The number of products subject to central planning quotas and prices was

Xiaoping or the unintended outcome of intra-party struggles is outside the scope of this article.

⁶ In 1978 it was estimated that 150 million Chinese peasants still suffered from periodic hunger.

reduced. At the same time, those large-scale enterprises that remained subject to production quotas and prices were permitted to sell anything they produced beyond their quotas at 'market prices'. Thirdly, and most importantly, there was a fundamental re-organisation of state finance and planning.

With the industrial-bureaucratic structure that had grown up as a result of the imperative of the rapid development of heavy industry, what were considered the core industries were placed under the direct control of the central state apparatus. The central planning agencies set output quotas for each of the firms in these core industries and the price at which this output was to be sold. The appointment of managers, and the overall direction of each firm were then overseen by the relevant ministry or state commission responsible for the industry as a whole.

However, the responsibility for those firms that were not considered to be part of the core of the economy - that is small and medium sized firms involved in the production of intermediate and consumer goods - was delegated to lower levels of the Party-State structure. Each of these firms was ranked in order of size and economic or political importance and the planning and direction assigned to local state bodies of the corresponding administrative level. In towns and cities these firms were known as urban collectives or co-operatives, while those in rural areas were to become known as Township and Village Enterprises (TVE).

In the old system of state finance - known as 'eating out of one pot' - money simply followed the plan. Money was 'ladled out of one central pot' to the various state commissions and state ministries in charge of the core industries, and also to the provincial governments. The state commissions and state ministries, after keeping enough to pay their own administrative expenses, passed on the money to the central state industries under their charge to cover the costs of production and investment necessary for them to meet their part of planned production. Likewise, the provincial governments passed on funds to firms under their charge in accordance with their own provincial plans. But they also passed money down to subordinate levels of the administration in accordance with agreed local economic plans and so on. This downflow of funds was counter-balanced by an upward flow of revenues as the money receipts of each firm or state body had to return back up to the one central pot.

In this way, money acted as little more than a measure of value and a means of circulation. The flow of finance was no more than a supplementary control in a relatively decentralised planning system aimed at the expansion of productive capital. The state banks existed mainly to provide credit to smooth out the different timings of payments and receipts for firms and the various state administrative organs.

The reformed system replaced the principle of 'eating from one pot' with what became known as 'eating from separate kitchens'. Local administrative state bodies and their associated firms were now to keep their revenues to pay their costs. If there was any money left over after paying costs, an agreed sum would be paid to the central state coffers, while any amount of profit above this could be used at the discretion of local state officials and factory managers. It was then expected that the agreed sum payable to the central state would be gradually revised upwards with subsequent agreements. Thus it was hoped that local state

officials and factory managers would have both the incentive and pressure to increase the profits and production of local enterprises.

For the leadership of the CCP, the reformed system promised to encourage the efficient expansion of consumer orientated industry, providing more consumer goods and increasing employment, while at the same time defusing pressure from lower party cadre for increased incomes by allowing them to make some money on the side. For the central planners, the new system introduced a looser and more fungible monetary relation with lower state bodies. They were relieved of the onerous task of overseeing detailed local plans and instead only had to carry out regular profit sharing negotiations. They were thereby able to concentrate on planning the core of the economy.

However, the profit sharing agreements proved far too generous, leading to a feverish pursuit of profit on the part of local state officials and factory managers. This was particularly the case in the SEZs. The lifting of prohibitions on trade and commerce in the SEZs had prompted a repatriation of small sums of capital from the Chinese business diaspora in Taiwan, Hong Kong and other parts of East Asia leading to a rapid growth in private, small scale trade and industry. The demand emerging from the growth in the private sector, combined with ready supplies of inputs from the central state sector and labour from peasants who had lost out from the agricultural reforms, gave local state officials and factory managers both the means and the opportunity to use their retained profits to expand production. As a result, there was an explosive growth in the production of urban collectives and TVEs, leading to an economic boom that rapidly began to get out of control.

The generous profit and revenue sharing agreements resulted in a huge hole in the central state's budget. Mounting state budget deficits, combined with the easy credit being supplied by an unreformed banking sector, led to accelerating price inflation and a small but growing foreign trade deficit. The immediate response of the state to this growing inflationary crisis was to attempt to balance the budget by cutting back on investment in the central state sector of the economy. This not only saved the state money and helped reduce its budget deficit, but it also meant that the planned production quotas of the central state industries could be reduced, allowing them to sell more of their output on the market, thereby reducing the market price of heavy industrial commodities sold to the non-central state sectors.

Yet, such emergency cut backs only served to buy time. Rather than back tracking on reforms, the reformers within the leadership of the CCP were able to insist on using the crisis to press on with further liberal reforms in order to correct the economic imbalances.

Firstly attempts were made to reform the organisation of central state enterprises to make them more profit-orientated businesses. The powers of factory managers and directors over the running of their firms were increased. The political interference of party secretaries in the running of the firms was curtailed and the discretionary powers over production and investment enhanced by the introduction of profit sharing agreements. In certain selected central state enterprises managers were able to break from the national wages scales so that they could introduce performance related pay and life-long employment guarantees were replaced, at least formally, by time-limited employment contracts.

Secondly, attempts were made to wrestle back control of state funds by replacing the process of negotiating revenue and profit sharing with each particular local state body with a standard universal tax system, which would be levied not as a fixed sum but as a proportion of profits. Finally, the banking system was re-organised on a more centralised basis.

For the most part these reforms either failed or were derailed. Many central state factory managers used their new discretion over company funds and wage rates to appease their work force by using retained profits to fund across the board pay increases to compensate their workers for rising price inflation. Those who did not, found themselves facing a wave of industrial disputes. The introduction of a universal tax system was effectively negated by concessions made to provide grants to those local state bodies that might lose out with the new system. While the banking reforms proved ineffective in reining back the expansion of easy credit.

Meanwhile growing problems in agriculture threatened to produce a serious political and economic crisis. By the mid-1980s the spurt of agricultural production, which had followed the introduction of economic reforms, had begun to peter out. The reforms had given peasants the incentive to increase production, not only by increasing procurement prices, but also by allowing them to sell anything they produced above that contracted to the state at higher market prices. However, while peasants increased production for the market, market prices had fallen.

Furthermore, although the reforms had given peasants the incentive to increase production, they had done little to increase the productive capacity of China's agriculture. Indeed, if anything they had impaired it. Firstly, with the drive to expand rural industries, the township and village authorities had done little to maintain the roads and irrigation projects that had been constructed in the pre-reform period, which in many areas were vital to sustaining the productivity of agriculture. Secondly, the break up of the collectives meant that the advantages of mechanisation and modern farming methods dependent on large-scale collective farming were lost.

Attempts to raise procurement prices to stimulate greater agricultural production only served to exacerbate the problems caused by inflation in the urban areas. Either the state had to subsidise food, in which case the state deficit would be plunged deeper into deficit, or else food prices would have to rise, thereby fuelling the growing unrest amongst the urban working class already being squeezed by the rising price of necessities.

Already by the end of the 1980s the mounting economic and political problems had led to a slowing in the momentum for liberal reform and indeed, in some circumstances, had required a reversion to more direct methods of economic control. Following the events at Tiananmen Square in June 1989, Zhao Ziyang - who had been the chief proponent of reforms - was removed from office and the reform process was brought to an abrupt halt.

In the wake of Tiananmen

In the early 1990s, the liberal reforms of the 1980s seemed to have reached an insurmountable *impasse*. Indeed, from the perspective of many of the old guard within the CCP leadership they would have probably been seen as a disastrous failure. Certainly it was true that the reforms, particularly in their early stages, had increased incomes of

millions of peasants and many workers; while quite a few state officials had made a fortune. The growth of urban collectives and co-operatives as well as TVEs had helped to correct the imbalance between heavy and light industry.

However, after a ten-year dearth of investment, heavy industry within the state sector was now in a far more dilapidated condition. What is more, the reforms had ended up in creating the very social and political strife that they had intended to forestall.

Ten years before, many Western observers had applauded the early success of Chinese reforms, and argued they showed how easy it was for a command economy to make the transition to a 'free market economy'. Now, in the early 1990s, for many Western observers, the Chinese experience, following as it did the fate of similar reforms in Eastern Europe, seemed only to confirm the view that attempts to make a gradual transition to a 'free market economy' via a stage of 'market socialism' inevitably ended in failure. Indeed, for those seeking to persuade Yeltsin to open up Russia to a free market free for all, China's failed reforms underlined the case that there was no option but a big bang approach to such a transition to a 'free market economy'.

How was it, then, that the reforms of the 1980s, which had succeeded so well at first, ended up in such an *impasse*?

As several academic studies have argued, one of the crucial factors in the early success of the reforms had been the decentralised structure of the Chinese Party-State when compared with other state capitalist systems. As they argue, this facilitated the transformation of local state officials into what we may term 'entrepreneurial bureaucrats' or perhaps better still 'red capitalists'. Indeed, many urban collectives and co-operatives, and in fact many TVEs, became effectively private businesses under the *de facto* private ownership of their profit-driven state managers. At the same time, many of the newly emergent private capitalists, in a practice known as 'red capping', obtained public status for their businesses in order to gain regulatory privileges. Indeed, the distinction between public and private ownership became increasingly blurred.

Furthermore, although a few were descendants of old capitalist families, the majority of the new private capitalists that emerged in the SEZs, were ex-Party-State officials, who were able to set up in business due to their access to public funds and connections with the Party-State bureaucracy. Indeed, crucial to the success or failure of any business venture were the connections the businessman could establish with the appropriate ranking Party-State officials in the locality, who were responsible for overseeing and regulating his size and type of business. Such connections not only provided the businessman with protection from adverse shifts in policy but also, in an economy still dominated by the state, access to important business opportunities and advantages.

In the absence of a well-defined commercial law and an 'impartial' legal system that could enforce contracts, and with business regulations largely dependent on the discretion of local Party-State officials, the mutual trust necessary for business dealings was built up around the traditional system of inter-personal connections known as *quanxi*. *Quanxi* bound individuals together in social networks based on mutual respect, obligation and honour, which was affirmed through the strict observance of

ritualised etiquette. By confining business dealings with members of their own *quanxi* networks, businessmen, whether public or private, could be reasonably sure that contracts would be honoured and any irregularities not reported to the police or other authorities.

As a result, the capitalist class, which emerged with the economic reforms of the 1980s, was enclosed within the matrix of the Party-State and was bound to the state bureaucracy through close business and *quanxi* connections. This new emergent class, therefore, had strong vested interests in defending the political *status quo* of the authoritarian one-party state.

From this, liberal academic observers concluded that the economic reforms of the 1980s, far from leading towards a Western-style 'free market' society, had ended up creating a hybrid system, which ultimately was a dead end⁷. For them, sooner or later liberal economic reform had to be accompanied by political reform. The 'free market economy' presupposed 'the rule of law' and protection from arbitrary government, unambiguous rights to private property, and a pluralistic political system which would give bourgeois individuals and corporations equal access in influencing government policy - subject only to the depths of their pocket of course. But China's newly emergent red bourgeoisie, which had emerged from the 1980's reforms, blocked any move towards political reforms necessary for the establishment of liberal democracy. Without political reform, these liberal academics insisted, there could be no more movement towards a 'free market economy'; and without a 'free market economy' there could be little or no further economic progress.

However, as we shall see, both the continued dominance of the one-party state, and the cohesiveness and exclusivity of China's red bourgeoisie were to play a central role in the economic transformation that has taken place since the early 1990s.

The Second Wave of Reforms

With hindsight, the events of Tiananmen Square, coming as it did in the midst of the disintegration of the Eastern Bloc, provided the shock that allowed the leadership of the CCP to reassert central control over the Party-State structure, which had been loosened by the first wave of reforms. The fear that the Party-State might go the same way as those in Eastern Europe and the USSR could be used to persuade lower ranking bureaucrats to subordinate their particular interests to the interests of the regime as a whole. The leadership of the CCP was thereby able to wrestle back control over the distribution of the state budget and re-establish financial and economic stability.

Following a tour of the SEZs in Southern China in the summer of 1992, Deng Xiaoping felt confident enough to announce a renewed effort of reforms. However, while at

first the main element of the new wave of reforms was simply extending SEZs to more cities and provinces, the new wave of reforms were to take a distinctly new direction that was made possible by events occurring outside of China.

As a result of the sharp appreciation of the yen against the US dollar following the Plaza Accord of 1985, Japanese exports began to relocate their more labour intensive production processes to those neighbouring countries in East Asian economies which had plentiful supplies of cheap and compliant labour power and whose currencies were pegged to the US dollar. At first Japanese capital flooded into Taiwan and South Korea, but then, as wages began to rise, investment began to flood into what were to be come known as the East Asian Tigers.⁸ This led to the East Asian boom, which was further fuelled by American and European capital seeking investments that would enable them to outflank their own entrenched working class.

By the early 1990s foreign capital had begun eyeing up the vast potential profits that could be made if it could gain access to the cheap and compliant labour power of China. Indeed, China did not merely have a vast pool of cheap and compliant labour-power, often already schooled in wage-labour, but, as a result of capital accumulation both in the Maoist period and through the first wave of reforms, it had the advantage over other East Asian economies of having a relatively developed and broad industrial base that could provide vital local inputs and services. China also had a relatively developed social and economic infrastructure to support industrial production.

However, given China's enclosed and exclusive business world closely tied to Party-State structures, foreign capital had little option, if was to gain access to the huge profit potential offered by China's vast reserves of cheap and compliant labour-power, but to do deals with the Chinese state. Indeed, the Chinese state found itself in a strong bargaining position, even with the major transnational corporations, and was quite prepared to dictate terms.

For the most part, foreign capital was only permitted access into China if it took the form of direct investment in real productive capital: that is in the concrete forms of plant, machinery and factories. For large-scale investments this has usually taken the organisational form of joint ventures between a state-owned corporation and a transnational corporation, in which the state usually retains a controlling interest. In such joint ventures the transnational is expected to provide the advanced technology embodied in modern plant and machinery, and the technical know-how and management skills to use it. The transnational corporation is also usually expected to provide the marketing and sales and distribution networks necessary to sell the commodities produced in world markets. In return the Chinese state provides the social and economic infrastructure - that is workers' dormitories, roads and communication networks etc. - and of course cheap and compliant labour-power that is often shipped in via the state's employment bureaux from the China's interior. The profits on these joint ventures are then shared between the state and the transnational corporation.

Up until 1992 most foreign investment in China had been small to medium scale investments originating from Hong Kong, Taiwan and to a lesser extent Japan. However, with the new accommodating attitude following Deng's

⁷ See Susan L. Shirk, *The Political Logic of Economic Reform in China* (University of California Press, 1993). For a case study of the social origins of China's emerging capitalist class and its close connections with the local state officials in the 1980s and early 1990s see David L. Wank, *Commodifying Communism: Business, Trust, and Politics in a Chinese City* (Cambridge University Press, 1999). For a more recent study concerning the continuing connections of China's capitalists to the party-state see, Bruce J. Dickson, *Red Capitalists in China: The Party, Private Entrepreneurs and Prospects for Political Change* (CUP, 2003).

⁸ Indonesia, Malaysia, Philippines and Thailand.

Southern tour, large-scale investments started flooding in from much further a field. As a result, direct foreign investment soared from little more than US\$1 billion in 1992 to more than US\$50 billion a year in 1994. This tidal wave of foreign direct investment saw the rapid growth of export-orientated manufacturing industry, which has become the driving industrial sector of capital accumulation in China since the early 1990s.

However, this flood of foreign direct investment also had more immediate beneficial effects for the Chinese state. Firstly, as the profits from joint ventures began to stream into the state's coffers, the state has been able to fill the hole in its budget deficits. Secondly, as exports increased, as a result of this foreign direct investment, China's foreign trade deficit turned into a trade surplus. This surplus has provided the state with foreign currency reserves, which could be used to buy up food on the world market when necessary due to bad harvests in China. Thirdly, by creating employment, and by spreading business practices to the higher echelons of the state bureaucracy, joint ventures were to create more favourable conditions for the restructuring of the increasingly dilapidated industries still owned and run by the central state.

Restructuring of the central state industries

As we have seen, the first wave of reforms in the 1980s had focused on small and medium scale industry and agriculture. As urban collectives, TVEs and private trade and industry expanded, the large heavy-scale industry inherited from the Maoist period had been starved of investments and had been allowed to decline. Now, with the second wave of reforms, attention turned to this neglected central state sector.

In the mid-1990s the system of direct state planning through imposition of production quotas and official state pricing was phased out and the moves towards giving factory managers more autonomy of finances, which had been tentatively introduced in the 1980s, were extended across the central state sector. Then, at the 15th Party Congress in 1997, a wholesale restructuring of the central state sector was announced, which aimed to transform what were now to be known as state-owned enterprises (SOEs) into exclusively profit-orientated corporations.

The first step in the programme of restructuring was the privatisation of the smaller SOEs, mainly in the form of management or worker buyouts. The next step was to transform the remaining SOEs into more Western-style joint-stock companies. However, although some shares were sold to private investors on China's newly established stock market, the vast majority of shares were 'non-tradable' and were usually held by various state bodies. As a result, the Chinese state has in effect been transformed into a vast holding company owning the majority of shares in most large-scale enterprises.

Through the separation of ownership and management along the lines of Western corporations, these organisational reforms have made it far easier to establish joint ventures with foreign capital. However, they have also paved the way for the third step of the process of corporatisation, which involves transforming SOEs into exclusively profit-orientated organisations. Central to this transformation has been the transfer of the social functions of the SOEs to state authorities, which has meant the dismantling of the *danwei* system and with this a direct attack on the entrenched position of a large part of the

Chinese working class. This third step of the restructuring of the SOEs has been the most difficult and long drawn out, as we as we shall in more detail in Part 2.

Trade liberalisation and entry into the WTO

As this ambitious plan for the restructuring of the central state sector was being announced, China was being hit by the economic typhoon that had been sweeping across East Asia.

As we have seen, China had been drawn into the East Asian economic boom that had come about through the relocation of capital accumulation from the advanced capitalist economies. In the early 1990s, under pressure from the US government, the East Asian Tigers had relaxed their capital controls to allow the influx of loanable capital. As Western banks and investment funds saw the huge returns that could be made in the 'miracle economies' of East Asia they rushed to lend money-capital to East Asian banks and companies and to buy shares in East Asian ventures. At first this flood of foreign moneyed-capital served to accelerate the accumulation of real capital in the East Asian Tigers.

However, as growing labour shortages and other bottlenecks began to slow down the rate of real accumulation, such investments became increasingly speculative. Then in 1997 it started to become clear that the prospective profits upon which these speculative investments had been made might not materialise. Foreign moneyed-capital rushed for the exits. As they rushed to turn their investment capital back into US dollars the national currencies of the East Asian Tigers could no longer sustain their peg to the US dollar and collapsed one by one. Having borrowed in US dollars and with profits and returns in their own currencies, many banks and companies in the afflicted East Asian economies were now in no position to meet their debt obligations and either went bankrupt or were nationalised. As a result, in little more than eighteen months tens of millions of East Asian workers were made redundant and plunged into absolute destitution.

The panic that arose out of the East Asian crisis rapidly spread across the world, as global finance capital took fright at investments in what was called the 'newly emerging market economies', causing serious financial crises in South America and in Russia. However, although she had close connections to capital accumulation in the East Asian Tigers, China was able to ride out the economic storm without too much trouble. The main reason for this was that the state continued its control of the economy. Because the Chinese state had been able to insist that foreign capital be tied down to investments in real productive capital based in China, and because the Chinese authorities insisted on maintaining tight controls on the movement of capital in and out of the country, foreign capitalists were in no position to liquidate their investments and head for the doors when financial panic struck. The Chinese state was therefore able to contain the financial panic resulting from the East Asian crisis, and prevent an economic meltdown.

Having burnt their fingers with investments in the 'newly emerging market economies', international investors now turned their attention to the dot.com boom in the USA. As a result, foreign investment into China did begin to decline in the immediate aftermath of the East Asian crisis. This threatened to bring to a halt China's strategy of export-led capital accumulation. In response to this the leadership of the CCP decided to take the irrevocable step in its integration

into the global accumulation of capital by joining the WTO, even if meant accepting rather onerous terms of admission.

After protracted negotiations China joined the WTO at the end of 2001. In a five-year transition period China has been required to open up its economy, at least formally, to foreign competition. As a result, tariffs on imported commodities have been cut from an average of more than 40% to a mere 6%, the lowest of any major 'developing' economy in the world, while export subsidies have also been abolished. However, while such economic liberalisation has caused problems, particularly for China's backward agriculture, membership of the WTO has served to limit protectionist moves, particularly on the part of the USA, against China's exports.

Furthermore, membership has done much to reassure foreign investors that the CCP was irrevocably committed to its integration into the global accumulation of capital. Indeed, following the dot.com crash foreign capital has poured into China fuelling its export-led growth. In fact, China in 2004 became the world's largest recipient of foreign direct investment.

In Part 2 we will consider in more detail China's integration into the global accumulation of capital and what implications this may have for the future. Now we shall make a few brief remarks summing up our sketch of China's economic transformation.

What is China and where is it going?

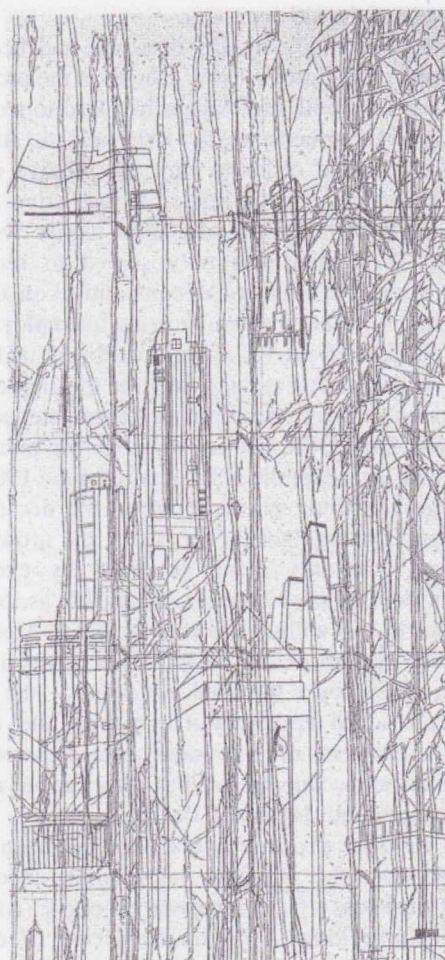
As we have pointed out, the dominant bourgeois view of China is that it is in a gradual transition to a 'free market economy'. Yet, for our fabian neo-liberals, this transition has not only led to economic prosperity but also holds the promise of democracy. For them the 'free market' necessarily leads to a Western-style liberal bourgeois democracy. However, those Western businessmen who are locked out of China's closed business world, and who look to democratic changes to give them a more 'equal and fair' access to the huge profits that can be made in China, are far less sanguine about China's supposed transition to a 'free market society'.

As many 'big bang' neo-liberals point out, China has been undergoing liberal economic reform for more than 25 years but in many respects is still no nearer the ideals of a Western bourgeois democracy. They bemoan the continued dominance of the state that still owns over half of the economy. Indeed they point out that although it declined in the late 1990s with the sell off of the smaller state-owned enterprises, with rapid growth the state's involvement in joint ventures with transnational corporations the proportion of capital owned by the state has now begun to rise again.

These 'big bang' neo-liberals warn that the China's rapid economic growth will become unsustainable due to mounting social tensions unless they can be contained through radical political reform and the dismantling of the one-party state. However, as we shall consider in more detail later, if their wish for radical political reforms came true then it could very well kill the goose that lays the golden eggs.

As we have seen, China's transformation and current rapid economic growth have not been brought about by the magic of the 'transition to a free market economy'. It is certainly true that the liberal economic reforms of the past twenty five years have led to an increase in the commoditification and monetarisation of the economic relations that has entailed an important change in the relation

of the state to capital accumulation from that which had existed under Mao. Yet this changed relation of the state to capital accumulation was only a necessary precondition for China's current transformation into a world economic power. The cause of this transformation has been the ability of the Chinese state to harness and direct foreign capital in the exploitation of China's vast labour-power through its integration into the global accumulation of capital. This has meant that the Chinese state has had to play a major role in maintaining social peace by containing the class struggle and in providing the material and social infrastructure necessary for capital accumulation. But not only this, it has also meant that the state has had to play a major role in retaining a large part of surplus-value produced by the Chinese working class for further national accumulation, overriding the short termism of the global finance markets - as China's survival of the East Asian crisis of 1998 clearly showed.



Part 2: China and the global accumulation of capital

As we have argued in Part 1, China's current transformation, and its rapid economic growth, is the result of its integration as a distinct epi-centre in the global accumulation of capital. We shall now in Part 2, see how this integration into the world economy has so far served to not only to re-invigorate world capitalism but also reassert American economic hegemony, and then consider how China's position within global capitalism is likely to evolve.

We shall begin by considering China's impact on US economic hegemony.

The USA and the Global Accumulation of Capital

In the late 1980s it had seemed to many that if the 20th century had been the 'American Century' then the coming century would belong to Asia. However, at that time it had not been China that was seen as being destined to displace the USA as the world's economic superpower - but Japan. The Japanese 'model' of capitalism, with its close connections between the state, the banks and the monopolistic industrial conglomerates, which had been forged through the defeat of Japan's working class after the Second World War, had transformed Japan into the world's second largest economy. With its pioneering forms of business organisation, its compliant workforce and its ability to assimilate and develop new technology for commercial ends, Japan's rise to economic dominance had seemed inevitable, particularly when compared with the apparently moribund state of the US economy.

From the 1960s the US economy had been losing ground to Japan and Europe. Slow growth in the productivity of labour combined with high wages had led to a decline in the rate of profit. Furthermore, the rather drastic attempts in Reagan's first term of office to cure this relative economic decline had seemed to have failed. A restrictive monetary policy had led to high interest rates and a highly over-valued dollar. This, it seemed, had only served to render vast swathes of American industry uncompetitive on the world market leading to plant closures, growing unemployment and a growing trade deficit, as exports declined and imports increased. At the same time, tax cuts for the rich combined with increased military spending, as Reagan stepped up the arms race with the USSR, had led to a growing public sector deficit. As a result, while the US had entered the 1980s as the world's largest creditor nation, it ended the decade as the world's largest debtor. Indeed, for many, the growth of the US economy was only being sustained by ever-greater injections of debt. A position only sustainable as long as the rest of the world was willing and able to lend to America.

With the fall of the Eastern Bloc, then, it seemed that having overthrown its great adversary - the USSR - America had reached the height of its powers and, unable to overcome the problems of its economy, was destined to enter a slow political and economic decline in the face of mounting competition from both Japan and Europe.

In 1990 the property bubble that had been building up in Japan over the previous years burst, exposing the underlying weakness of the Japanese economy. As a result Japan was pitched into a prolonged period of economic stagnation from which it has even now yet to fully recover.

In contrast, the US has gone from strength to strength. With hindsight the 'Reaganomics' of the early 1980s can now be seen to have been part of a major restructuring of the American economy that has served to re-invigorate capital accumulation. The decimation of American manufacturing industries that were rendered unprofitable in the face of high interest rates and an over-valued dollar allowed for a vast liquidation of capital previously fixed in these industries and its re-investment in the new industries based around the emerging electronic, communication and information technologies that were to form the core of what was to become known in the 1990s as the 'New Weightless Economy'. This shift from the old to the new industries was

further facilitated by high military spending through such projects as the Missile Defence system - otherwise known as Star Wars - which involved a huge and barely disguised state subsidy for research and development into the new information and communication technologies.

The shift from the old highly unionised manufacturing industries of the North East of the USA to the new largely non-unionised industries of the South and West served to outflank the entrenched positions of the American working class that had been built since the 1930s. As a result wage rates could be kept down while workers could be obliged to work longer hours - thereby increasing the production of absolute surplus value. At the same time, a more compliant labour force allowed more flexible working times, which when combined with the use of the new information communication technologies allowed for a more rapid turnover of capital. This, together with the falling value of instruments of production made possible by the cheapening of new technologies, was to lead to a sustained rise in the rate of profit of US capital from the late 1980s onwards. Indeed, by the end of the 1990s profit rates had reached levels not seen since the post-war boom years of the 1950s and 1960s.

Following the East Asian crisis of 1997-8, speculative capital that had sought quick returns in the 'newly emerging market economies' returned home to take advantage of the growing investment opportunities of the emerging 'New Economy'. Amidst much hype concerning how the new technologies, such as the internet, were going to revolutionise the world and how all the laws of finance and economics were being needed to be rewritten with the emergence of the 'New Economy', this influx of speculative capital fuelled the huge dot.com bubble of the late 1990s.

In 2000, the madness of the dot.com bubble - which at its height had seen dot.com companies, many of which had never made a profit and which employed merely a few dozen people, being given stock market valuations greater than General Motors - inevitably came to an end. The bursting of the dot.com bubble left many companies, including many outside the 'New Economy' which had become caught up in the irrational exuberance of the late 1990s, dangerously over extended. Saddled with the costs of servicing huge debts and the prospect of declining sales revenues, large swathes of American capital faced bankruptcy. The US economy was brought to the brink of spiralling into a deep economic depression that threatened to kill America's 'New Economy'-based resurgence in its infancy.

However, the US authorities were able to respond swiftly with the adoption of bold Keynesian reflationary policies to stave off the prospects of an economic depression. Firstly, within little more than six months, the Federal Reserve Bank cut its base interest rates from 6.5% to 1%, throwing a vital line to many over extended capitals at the same time as shoring up the collapsing American stock market. Then, following his election, Bush (jnr) pushed through a series of substantial tax cuts, mainly to the benefit of the rich. These tax-cutting measures combined with a substantial increase in military expenditure, saw a sharp growth in the government deficit. In the last year of Clinton's second term in office there had been a budget surplus equivalent to 2% of GDP. Four years later this had turned into a budget deficit of 4% of GDP.

As a result of the US authorities' reflationary policies the American economy was able to ride out the

aftermath of the dot.com crash with little more than a mild recession. Now, five years after the bursting of the bubble, the US economy is growing at more than 4% a year, unemployment has been steadily falling for more than two years, the US dollar is strengthening and inflation remains low. With the core economies of Europe - France, Germany and Italy - still struggling to recover from recession, and Japan yet to make a sustained escape from more than fifteen years of economic stagnation, the US appears to have been able to reassert its position as the world's dominant and most dynamic advanced capitalist economy.

However, it is often argued that the current dynamism of the US economy has been based on an unsustainable debt-fuelled consumer boom, which has served to hide the essential weakness of capital accumulation in the USA. Indeed, the last fifteen years has been seen as the indian summer of the USA. The twilight years of American hegemony in which the US increasingly finds itself dependent on its dominant financial position built up during its heydays to disguise the hollowing out of its economy, providing one last period of prosperity. Sooner or later it is argued, the rest of the world will stop lending the US money and this indian summer will be brought to an end.

Of course, it is certainly true that the US economy has been sustained by a prolonged debt-fuelled consumer boom. Cuts in taxes have provided the rich with plenty of money to spend. At the same time, low interest rates have led to a speculative house price bubble in recent years that has allowed American house owners to borrow against the rapidly rising valuation of their homes. As a result not only has government debt moved sharply in to the red but also personal indebtedness has risen to unprecedented levels.

At the same time, the rapid growth in consumer demand has been met by a continuing flood of imports, not least from China, which has led to a substantial balance of payments deficit. Both the consequent balance of payments deficits and the government's budget deficits have been largely financed by borrowing abroad.

But has this prolonged debt-fuelled consumption binge placed the US economy in a perilous financial position? Is it simply a matter of time before the goodwill of America's foreign creditors, who up to now have been prepared to accept US dollars and dollar denominated financial assets used to finance US debt, becomes exhausted? Have the reflationary policies pursued under Bush (jnr) merely delayed a crisis that will inevitably expose the decline of US capitalism?

It is certainly true that over the past four years both the total accumulated debt of the federal government, and the debts America as a whole owes to foreigners, have risen sharply. Between 2000 and 2003 the total debt of the federal government had already risen by more than a quarter to top \$4 trillion. Meanwhile the total debt Americans owed the rest of the world rose to over \$10 trillion; while net debt (the difference between what Americans owe the world and what the rest of the world owes the USA) rose in these three years by 60% to more than \$2.6 trillion⁹.

However, while these figures may appear astronomical in magnitude, this is to ignore the sheer enormity of the US economy. The federal debt is still less

than 40% of US GDP, which is comparatively low both by international and historical standards. The European stability pact, which is considered quite restrictive, requires states participating in the Euro to keep government debt to less than 60% of GDP and their public spending deficits to less than 3% of GDP. Following the huge deficits run up by Reagan in the 1980s the Federal debt stood at over 50% in the early 1990s. However, concerted attempts to reduce the government's budget deficits under both Bush (snr) and Clinton allowed inflation and economic growth to reduce the burden of Federal debt to less than 35% in the year 2000. The net foreign debt accumulated by the American economy as whole at \$2.6 trillion is still less than 25% of US GDP. Furthermore, due to the dominant position of the US in the global financial system, the rates of return the US earns on the investments and loans it makes to the rest of the world is on average greater than the rate of return it has to pay on its accumulated debt. As a consequence, there still remains a net inflow of investment income into the USA. Hence, the USA has yet to reach even the brink of the slippery slope where it would have to borrow in order to pay the interest on its debts.

In short, then, although the rate of increase of indebtedness in the US economy over the past four years is no doubt of some concern, the American economy is still financially sound. Indeed, it would seem it still has a long way to go before the alarm bells would need to be sounded. Yet, although it may be financially sound at present, it is certainly the case that the growth of the US economy cannot be maintained forever by a consumer boom sustained by ever increasing doses of private and state debt. However, the indications are that will not need to be.

The frenzy that accompanied the dot.com boom in the late 1990s had spread far beyond the 'New Economy' of information and computer technology companies. It was widely believed that the dynamism of the dot.com revolution had radically altered all the old rules of economics and finance and offered those which were bold enough to invest quickly with the prospect of enormous profits. Consequently, American corporations, large and small, borrowed to invest on a massive scale. As a result, once the dot.com bubble burst, American businesses found themselves with huge claims on their profits in the form of interest payments and share dividends, at a time when the prospects of future profits were being substantially downgraded. Although most of the virtual dot.com companies were swept away, the sharp cut in interest rates made by the Federal Reserve Bank allowed most of established corporate America to stave off bankruptcy.

Having survived the dot.com crash US capital embarked on a period of rationalisation and cost cutting, which was to result in a sharp increase in unemployment between 2001 and 2003. As those remaining in work were made to work harder and longer the introduction of new technology was used more rationally to cut costs and increase the turnover of capital. As a result, the rate of profit of the US has recovered its upward trend. So far much of the increase in profits has been used to restore the financial position of 'corporate America'. Debts have been repaid and stocks and shares have been bought back, thereby retiring fictitious capital to bring the paper claims on future surplus-

⁹ These figures are derived from IMF *International Financial Statistics* (2004). (n.b. A trillion is an American trillion i.e. 1,000,000,000,000).

value back in line with realistic prospects of producing and realising surplus-value in the future.¹⁰

As the financial position of American capital is restored the conditions are being put in place for renewed investment in the expansion of real productive capital. Indeed, there are indications that such investment-led growth is already beginning to take off. Unless derailed by a sharp contraction in consumer demand arising from the bursting of the house price bubble or continued rising oil prices, it seems likely that the next few years could see an investment-led boom based on a self-sustaining real accumulation of US capital.

The fact that foreign investors have been prepared to retain investments in the US economy despite the fall in the US dollar by more than 30% over the past four years shows their continuing confidence in the basic soundness of the US economy. Indeed, huge debt should perhaps be taken as a sign of the strength, not the weakness, of American capitalism.

Firstly, despite the growing religious irrationalism of the mass of the American population, ably reflected in the facile born-again Christianity of many in the Bush administration, the USA remains the world centre of science and technology. US companies remain at the forefront of most of the cutting edge technologies, allowing them to capture surplus profits by being first in the field with new commodities. Secondly, despite the restructuring of the 1980s, the US still retains a wide ranging industrial base. In most industrial sectors the productivity of the American worker is greater than his counter-parts in other advanced capitalist countries. Thirdly, the American market is by far the largest unified market in the world. The value of commodities produced and sold in the USA is substantially greater than total value of commodities traded internationally making the USA the centre of world trade. But the US is not only the largest market for commodities, it also by far the largest centre for money and finance capital.

Of course, it is true that America's lead in science and technology is not as great as it was in the 1950 and 1960s. The German and Japanese workers have become almost as well-equipped as their American counter-parts. However, with the entrenchment of the European working class, the American capitalists are able to make their workers work longer and more flexibly. This may not last forever. As the vast reserve army of Eastern Europe becomes integrated into the European Union it is being used to undermine the entrenched positions of the working class in Western Europe. However, for the time being the US remains the global centre for the production, realisation and appropriation of surplus value. As such, it is the foremost economic power; industrially, commercially and financially. And hence, for the foreign investor, the USA remains the place where there is most money to be made.

So, following the restructuring of the 1980s, the US has reasserted its position as the centre of world capital accumulation. With the challenge from its nearest rivals - Japan and Europe - for the most part stalled, what are the

prospects of China coming up from the outside to mount a serious challenge to US hegemony? To answer this we must first see how China has so far become integrated into world capital accumulation over the past decade or so and what this has meant for economic relations with the USA.

China and the Global Accumulation of Capital

An essential element in the restructuring of capital accumulation in the 1980s, and one that was crucial for outflanking the entrenched positions of the working class in the advanced capitalist economies, was the relocation of productive capital to what were to become known as 'Newly Industrialising Countries' in the world's economic periphery.

This relocation of productive capital largely involved two distinct types of manufacturing production. Firstly, there were the mature, often relatively labour-intensive industries, in which the scope for further improved production methods was limited or prohibitively expensive. Such industries included textiles, clothing, shoes and toys. Secondly, there was the location of new and rapidly developing industries that were emerging around information, communication and computing technologies supplying components and hardware. Both of these types of manufacturing played an important part in what was to become known as the 'Asian economic miracle' as a dynamic process of capitalist accumulation occurred, first with Japan at the end of the 1980s and then increasingly with the USA in the 1990s.

As we have seen, in the wake of the devastating financial and economic crisis that hit the 'East Asian tigers' in 1998, China began to restructure Asian accumulation to its own ends. China had originally entered the Asian system of capital accumulation in the mid-1990s by taking over the more labour intensive assembly stages of East Asian commodity production. As a result, as China began to enter the assembly stage in more lines of production, increasingly commodities produced in Asia became funnelled through China, usually on their way to the great US market. Although this meant that other Asian countries lost productive capital involved in the final assembly stages to China, this was often more than made up by the fact that the lower costs of Chinese assembly production allowed lower prices for the final product, and thus greater sales.

However, in addition to such diversification, China has increasingly since 1998 'moved up the product chain', that is it has taken over more and more of the stages of the manufacturing Asian commodities destined for the US and World markets. As a result, Asian manufacturing industry has been relocated and concentrated in China. This relocation of manufacturing capital in China has had a particular severe impact on the former East Asian tigers, which in the 1990s had been the hub of Asian 'economic miracle' and a primary destination for Western investment in 'newly emerging market economies'. However, the loss of manufacturing has been compensated by China's ever growing demand for raw materials. Reverting to their traditional, pre-1990s exports, former 'East Asian tigers' have joined with many other countries across Asia, and even as far away as Africa and South America, in feeding China's seemingly insatiable appetite for raw materials and primary commodities.

Yet this is not all. As China has 'moved up the product chain' to take over more complex stages of production its demand for machine tools and other industrial equipment has increased. This demand has been met by

¹⁰ The retirement of fictitious capital is indicated by both the figures of outstanding commercial paper and share buy backs. In the two years following the bursting of the dot.com bubble the value of outstanding commercial paper (i.e. debts of corporations) fell by nearly a quarter from \$1.6 trillion to \$1.2 trillion. Since 2001 share buy backs have risen from \$70 billion to nearly \$120 billion.

imports from China's more technologically advanced neighbours, South Korea and Japan. Indeed, the growth of exports to China has now become Japan's main hope of eventually ending its fifteen years of economic stagnation.

As a result, China is emerging as a distinct epi-centre in the world accumulation of capital. Indeed, as China overtakes the USA to become Japan's biggest trading partner, even the economically mighty Japanese seem set to be drawn into the Chinese orbit. The question that now arises is how does this distinct epi-centre of Chinese-Asian capital accumulation relate to the world accumulation of capital centred in the USA and Europe?

Squeezed between a falling rate of profit and an entrenched working class within the advanced capitalist economies, capital in the 1970s and 1980s had been driven to seek out sources of cheap and compliant labour-power around the world. However, it was not enough to simply find cheap and compliant reserves of labour-power - there were plenty of such reserves throughout the 'developing world' - it was also necessary that the social productivity of labour could be raised to levels comparable with that prevailing in the advanced capitalist economies. The authoritarian regimes of East Asia had been able to provide such essential pre-conditions for the re-location of manufacturing capital. Not only were East Asian economies able to provide cheap and compliant labour-power, but, after several decades of protected national accumulation of capital that had been permitted during the Cold War years, they had developed the essential economic infrastructure that ensured that the social productivity of labour was high enough to compete on the world markets.

As a result, the 'Newly Industrialising Countries' of East Asia became one of the primary sites for the relocation of manufacturing capital. By making East Asian workers work longer and harder for less pay than their Western counter-parts capital was able to raise the rate of exploitation and reverse the decline in the world-wide rate of profit. China has been able to take over the lead in Asian capital accumulation because it has been able to provide these basic requirements on a far larger scale. With a fifth of the world's population, and after five decades of rapid national accumulation of capital, China has not only a vast potential reserve of cheap labour-power but can also provide the economic infrastructure necessary for the high social productivity of labour. As such, the integration of China into global capitalism has given great impetus to the accumulation of capital following the restructuring of capital in the 1970s and 1980s.

In the first instance, the gains made by the increase in the rate of exploitation take the form of surplus-profits (that is profits that are above the average that can be expected on a given advance of capital) which emerge from the difference between the international market price of a particular commodity and the production price in China. These surplus-profits are captured first of all by the transnational corporations involved in the joint ventures in China and by the Chinese State. However, importers, such as Wal Mart, who provide access to Western markets, are also able to take a substantial cut of the surplus-profits. Thus, those capitals in the advanced capitalist economies that are able to do business with China are able to gain a substantial proportion of the surplus-profits generated.

However, as Chinese production of any particular commodity expands and takes a larger share of the world

market the international market price of that commodity will fall towards the price of production prevailing in China. In this way the gains of the increased level of exploitation of Chinese labour-power is generalised through the falling costs of both the means of production and the cheapening of the means of subsistence. Indeed, the increase in the production of manufactured commodities in China has placed considerable downward pressure on manufactured prices in general. This disinflationary pressure has played a major role in curing the endemic inflation that had built up during the period of intense class conflict and restructuring of the 1970s and 1980s in the advanced capitalist economies.

The 'threat of Chinese competition' has been used as an argument in the advanced capitalist economies to press for the adoption of neo-liberal policies and for more 'flexible' working practices. However, despite such arguments, the flood of Chinese imports into the advanced capitalist economies in general, and into the USA in particular, has so far not displaced much existing productive capital, and as a consequence, its impact on employment has been largely marginal. The reason for this is simple. The manufacturing capital, and jobs that went with it, were largely re-located to Asia during the restructuring of the 1980s. Chinese imports do not, therefore, compete with commodities produced in the advanced capitalist economies.

The emergence of China, and its integration within the global accumulation of capital, has served to prolong and deepen the reinvigoration of capitalism, which has resulted from the restructuring of the 1970s and 1980s. In addition China has also served to aid the American recovery from the dot.com crash, which had threaten to derail this reinvigorated capital accumulation in both the USA and in the world as a whole.

As we have already mentioned, in response to the dot.com crash the Federal Reserve Bank of the USA drastically cut interest rates from 6.5% to 1% in little more than six months. This made the US less attractive to foreign investors and the inflow of foreign capital consequently began to decline. As a result, there was downward pressure on the US dollar. Indeed, in the next three years the US dollar fell by more than 30% against the Euro. This made the US more competitive against its European rivals and helped to shift some of the deflationary burden of the dot.com crash onto Europe. However, such a sharp cut in interest rates would have threatened to put the US dollar into free fall if it were not for the central banks of China, Japan and other Asian countries buying up surplus dollars in order to maintain a fixed exchange rate between the dollar and their own currencies. Indeed, in its efforts to keep the yuan pegged to the US dollar the Chinese central bank alone has been obliged to buy up almost half a trillion US dollars over the past four years.

Furthermore, the Federal Reserve Bank was only able to sustain such low rates of interests in the face of rapidly rising government budget deficits, caused largely by tax cuts and greater military spending, because the Chinese and other Asian central banks were prepared to convert the dollar bills they had accumulated to prevent their currencies rising against the US dollar into US treasury bills issued to finance US government debt. Thus, in effect, China played a major role in the financing of the reflationary policies that averted a major depression following the 'irrational exuberance' of the dot.com boom.

China has emerged as a distinct epi-centre within the global accumulation of capital. As such it has established a relation of mutually re-enforcing growth with the advanced capitalist economies in general, and particularly with its main trading partner - the USA - in particular. Furthermore, China has played an important role in sustaining America's dominance within global capital accumulation. Indeed, up until now, far from challenging US economic hegemony, the emergence of China has served to consolidate it!

The question that now arises is what political or economic factors may serve to disrupt the largely benign relations between China and the US, which have arisen from mutually re-enforcing capital accumulation. The first problem is the competition over scarce natural resources.

Competition over scarce resources

Two of the most recurrent themes that are to be found in Chinese foreign policy pronouncements in recent years have been the necessity to establish a 'multi-polar world', and the insistence on the non-interference in the affairs of sovereign nations. Both themes have been deployed in various diplomatic initiatives through which China has sought to build alliances amongst 'developing states' to counter the encroachments of US hegemony. Indeed, these themes have become part of what has become known as the 'Beijing Consensus', which is presented as an alternative to the evangelical neo-liberalism of the 'Washington Consensus', which has been widely seen as attempting to universalise American-style capitalism and democracy.

However, as the Chinese foreign policy makers well recognise, China is in no position, at least at present, to seriously challenge US hegemony, nor contest the basic tenets of its neo-liberal ideology. Indeed, in signing up to the WTO, China can be seen to have made an irreversible commitment to the principle of progressive liberalisation of trade and the free movement of capital. It has become a respected member of the international bourgeois community and subscribed to the American-dominated New World Order, which has been established following the disintegration of the USSR. For China, the 'Beijing Consensus' simply asserts the right of 'emerging market economies' to pursue neo-liberal policies in their own way, with regard to their own political and social circumstances and traditions.

Indeed, having accepted the rules of the game, China has sought to turn them to its own advantage. China has sought to consolidate its economic position as the emergent centre of Asian manufacturing by promoting free trade agreements in Asia. It has established close diplomatic ties with the countries of South East Asia both directly, and through the Association of South East Asian Nations (ASEAN) has gained limited access to the ASEAN Free Trade Area.¹¹ Similarly, China has established close diplomatic and economic ties with the countries of South Asia and as a result has been granted 'special partnership status' with the South Asian Association for Regional Co-operation (SAARC) and the associated South Asian Free

Trade Area.¹² Further afield, China has made bilateral trade agreements with Brazil to secure food and raw materials.

In the WTO, China, along with India and Brazil, has led a loose coalition of 'developing economies' that have succeeded in challenging the priorities for liberalisation promoted by the US and Europe. This coalition, sometimes known as the G20, succeeded in blocking the most recent round of trade liberalisation proposed at Cancun in 2003. And, in doing so, has insisted that the countries of the 'North' should, as a matter of priority, dismantle the high levels of protection afforded to their farmers.

Diplomatic efforts to promote 'common security', economic co-operation and free trade can be seen to be in perfect accord with the multilateralism of the 'new world order'. However, it is precisely the ability of potential long-term rivals to America's hegemony to turn the 'new world order' to further their own ends that has strengthened the case of the neo-conservatives within the Bush administration. The neo-conservatives argue that if the USA is to maintain its world hegemony it must be prepared, where necessary, to cut through the diplomatic entanglements that have grown up with the 'new world order' to unilaterally assert its strategic and economic interests. Nowhere is this seen as being more necessary than over securing the supply of raw materials, particularly oil - as the Iraq war has clearly shown.

China's demand for energy

Over the last fifteen years China has not only experienced rapid export-led growth in manufacturing, requiring the building of new factories and increasing amounts of inputs of raw materials, but also a long-sustained construction boom as whole cities have been summoned into existence. As a result, China's demand for raw materials to feed its rapid growth has soared. But China's rapid economic transformation has not only required vast and ever increasing quantities of raw materials but also increasing amounts of energy. Indeed, in the last two years energy shortages have become a major barrier to continued capital accumulation - as China's economic planners concerned with the severe bottlenecks in the production and distribution of coal, electricity and oil are acutely aware. Thus, for example, despite the installation of 440GW of electric power generating capacity - more than the entire electricity generating capacity of the UK, France and Germany combined - demand for electricity has still outstripped supply.¹³ As a result, the last two years have seen serious power cuts in the more rapidly growing Southern provinces. Reckless attempts to keep up with the increasing demand for coal for electricity generation have led to a number of serious mining disasters. In the first six months of 2005, 2,672 miners were recorded as having died in mining accidents - forcing the government to announce recently the temporary closure of a third of China's mines for safety reasons. While the recent rise in the price of oil, compounded with transportation problems, has led to severe petrol shortages.

Such bottlenecks in the production and distribution of energy in general, of course, in part reflects the more general problem facing China's economic planners of

¹¹ ASEAN includes the former East Asian tigers; Indonesia, Malaysia, the Philippines and Singapore, together with Thailand, Brunei, Vietnam, Laos, Myanmar (formerly Burma), and Cambodia.

¹² SAARC is made up of India, Pakistan, Bangladesh, Bhutan, the Maldives, Nepal and Sri Lanka. China has now been accorded the special status of 'dialogue partner' with SAARC.

¹³ See 'China's Electric Power Sector Reaches Growth Limit', *Asian Times*, May 5th, 2005.

sustaining sufficient state investment in basic utilities and economic infrastructure to keep up with the rapid expansion of the export-oriented manufacturing sector. However, it also involves the longer term problem of securing adequate supplies of oil. Although China has ample reserves of coal to meet the expected growth in demand for electricity generation, it has become increasingly dependent on imported oil to meet the needs of increasing road transportation. In 1994 China imported only 6% of its oil demand, by 2004 this had grown to 42% and is expected to grow to 60% by 2014. With its demand for imported oil expected to double within the next ten years, China's state planners have become anxious to secure foreign supplies of oil.¹⁴

As China is obliged to look to the rest of the world for its future oil supplies, it finds the world oil industry in a highly uncertain state of transition.

The shifting geo-politics of oil and oil rents

By the mid-1990s it was becoming increasingly clear that the major oil fields of the North Sea and Alaska had reached their peak of production and that within a decade they would be in decline. As a consequence, the era of excess capacity in the world's oil industry, which had originated in the massive over-investment in the industry in response to the 'oil shocks' of the 1970s, would come to an end. With other Western oil fields due to follow suit soon after, the world's oil industry would increasingly become dependent on what has now become known as the Broader Middle East; that is the oil fields of the Persian Gulf, the Caucasus and Central Asia.

During the era of excess oil capacity US policy with respect to oil was to prevent a collapse in the oil price that would mean the ruin of America's own high cost oil industry. To this end the US sought to keep oil off the world market. The Americans backed Saudi Arabia's efforts to police the strict OPEC oil quotas and sought through war and economic sanctions to prevent the development of the major oil fields in Iran and Iraq.¹⁵ However, with the prospect of this era coming to an end, it was necessary, if the US was to maintain its dominance in the world's oil industry, to develop a strategy to manage the transition to the new era.

The strategy that evolved under the Clinton administration was firstly to open up the oil fields of Iran and Iraq to American and Western capital investment. This was to be done either by diplomatic efforts to persuade the governments of Iran and Iraq to take a more pro-Western position, or failing this to bring about a regime change in these two countries through covert operations. Secondly, in conjunction with the opening up of the oil fields of Iraq and Iran, Clinton's strategy was to take the opportunity of the disintegration of the USSR and the privatisation of the Russian oil industry, to gain access for US oil companies in Russia, the Caucasus and Central Asia on favourable terms.

However, Clinton's oil strategy was overtaken by events. Following the oil shocks of the 1970s, the development of new sources of energy and energy-saving technology, together with slow economic growth, meant that

throughout the 1980s and the early 1990s the world demand for oil barely grew. As a result, the main cause of the prospective decline in the excess capacity of the world's oil industry was seen to be on the supply side: that is the decline in the supply of oil from aging oil fields. As such, the expected point at which the era of excess oil was due to come to an end was sometime around 2010 giving plenty of time for the prising open of new oil fields. But from the late 1990s world demand for oil began to rise sharply. A large part of this increase in demand coming from the unexpected rapid economic growth of China. As the recent sharp rises in the price of oil have confirmed, the oil crunch has come far sooner than was expected ten years ago.

As it became clear that Clinton's long-term strategy was being overtaken by events, the position of the neo-conservatives with the American foreign policy establishment became strengthened. Following the attack on the Twin Towers in September 2001, the neo-conservatives within the new Bush (jnr) administration took the opportunity to press for a radical change in US foreign policy. In open defiance of the multilateralism of established American foreign policy, they argued that it was necessary to cut through all diplomatic entanglements so as to unilaterally re-order the geo-politics of the broader Middle East by sheer military force.

Firstly, with the invasion of Afghanistan in 2002, the US was able to obtain a foothold in Central Asia, which up until then had been accepted as being within the Russian sphere of influence, not only by occupying Afghanistan but by the establishment of military bases in the Central Asian republics. Secondly, the invasion of Iraq not only allowed the US to occupy a country with the world's second largest known oil reserves but placed it in a position both to shore up, by military force if necessary, the pro-American Saudi regime - which of course presides over the world's largest known oil reserves - and to intervene to overthrow the anti-American Iranian regime.

However, the neo-conservatives' bold but reckless plan to resolve the problem of continuing America's dominance of the world's oil industry by forcibly re-ordering the geo-politics of the 'broader Middle East' has failed. It has run into the sands of the Iraqi resistance. Far from projecting US military power, and showing the world that it has exorcised the ghost of Vietnam, Iraq has shown the limits of US power. In doing so it has opened up what has become known as the 'new great power game' over control of the production and distribution of oil - and the oil rents that arise from such control - of the largely untapped oil fields of Central Asia.

The great power game

The main players in the new great power game¹⁶ in Central Asia are, firstly; the main advanced capitalist powers: the USA, whose transnational oil corporations dominate the world's oil market, the powers of Western Europe, and Japan. Secondly, there are the main Asian powers whose close proximity to Central Asia enhances their geo-political position: China, Russia and India. Thirdly, there are the five

¹⁴ See 'Pressure on Beijing Over Fuel Shortages', *Financial Times*, August 18th, 2005.

¹⁵ For our more detailed analysis of the geo-politics of oil and the recent Iraq War see 'Oil Wars and World Orders Old and New', *Aufheben* #12, 2004.

¹⁶ The 'great power game' was originally coined to describe the diplomatic and military manoeuvres between Russia and Britain for control of central Asia in the 19th century. It was a phrase erroneously attributed to Rudyard Kipling, who made it famous in his novel *Kim*.

Central Asian states: Kazakhstan and Turkmenistan, who along with Russia are sitting on most of the oil and natural gas deposits, together with: Uzbekistan, Tajikistan and Kyrgyzstan who are all strategically situated for anyone wishing to control the distribution of oil in the region.

As the US has become bogged down in Iraq, the Chinese state has pursued a complex set of diplomatic, commercial and military initiatives to secure its future oil supplies and to advance its corporations' positions in capturing oil rents. Central to these initiatives has been a series of diplomatic manoeuvres designed to create an Asian bloc that is able to oppose the dominance of the US and Western oil interests in Central Asia.¹⁷

Perhaps the most important of these has been the wooing of Russia. Russia's recent recovery from the disastrous 'neo-liberal shock therapy' of the 1990s, which saw the Russian economy shrink by nearly 50%, has largely been the result of increased state control over the Russian oil companies - who are now at least obliged to pay their taxes - and the rising price of oil. Russia's dependence on oil wealth has meant that it is under strong pressure to exploit its position as a key player in the carve-up of the 'Broader Middle East'. Much of the undeveloped oil reserves in Central Asia lie either in Russian territory or in territory of the former USSR. The economic infrastructure, including oil pipe lines, of the former USSR republics of Central Asia, as far as they exist, is still largely integrated with the Russian economy. As a consequence, Russia is the gatekeeper of the Central Asian oil fields, controlling, as it does, not only the extraction of its own oil fields but also the transportation of much of the oil extracted within its former empire.

Since Hu Jintao took over from Jiang Zemin as China's pre-eminent leader late in 2002 he has visited Russia for high level talks on no less than five occasions. However, up until recently this seemed to have had little impact on Sino-Russian relations. With regard to oil, Russia has sought to build on the commercial relations with Western oil companies to gain the necessary investment and technology to exploit its reserves and in obtaining potentially lucrative contracts to supply European economies with oil and natural gas as the hydrocarbon deposits of the North Sea become depleted. More generally, although Russia opposed the US invasion of Iraq, Putin has thought it wise to maintain cordial relations with the US.

In order to strengthen its bargaining position with regard to Europe, Russia proposed to build a trans-Siberian pipeline to the Pacific, which would give it an alternative outlet for its oil. It allowed a bidding war between Japan and China over where the pipeline should end up and who should pay for its construction. In 2004 the Russians came down in favour of the Japanese bid.

However, following America's promotion of the 'Orange Revolution' in the Ukraine, which directly threatens Russia's oil interests in the Caucasus, Putin's foreign policy has seen a decisive turn towards China. This has become evident with the extensive joint military exercise held by China and Russia in August 2005 - the first such joint military exercise for more than fifty years.¹⁸ These exercises

were preceded by the announcement on June 30th that the Russian government had agreed to have a branch of the trans-Siberian pipeline going to China, much to the annoyance of the Japanese.

The announcement that there would be a branch of the pipeline came on the eve of a summit meeting of the Shanghai Co-operation Organisation (SCO). A meeting that some analysts have seen as potentially having greater world significance than the far more publicised meeting of the G8 happening at the same time. The SCO was originally set up in 2001 as an intergovernmental organisation to promote co-operation over economic and security matters between Russia, China and four of the five Central Asian republics: Kazakhstan, Uzbekistan, Tajikistan and Kyrgyzstan.¹⁹

As far as economic matters are concerned China was interested in gaining access not only to the untapped oil and natural gas reserves of Central Asian republics but also to such raw materials as cotton, aluminium, zinc, lead, iron ore and gold. China also hoped that the Central Asian republics would provide close markets for the manufacturing industries planned for its economically undeveloped western regions.

As far as security was concerned all member states of SCO faced growing militant Islamic groups, which at the time were becoming bolder as the Taliban consolidated their control over Afghanistan, as well as various ethnically based separation movements. China had itself faced increasing incidents of ethnic rioting, political assassinations and the sabotage of oil-wells and pipelines in its far western autonomous region of Singang. Through the SCO it was hoped that co-ordinated action between the member states would be far more effective in cracking down on such 'terrorism' that was largely based in the mountainous border lands.

However, within months of the establishment of the SCO the situation in Central Asia was radically transformed by the US invasion of Afghanistan. Grasping the opportunity to break free from their traditional subordination to Moscow, the Central Asian republics rallied to the American-led 'war on terrorism'. In return for substantial amounts of military and economic aid, Uzbekistan and Kyrgyzstan allowed America to build air bases and station more than 3,000 troops on their soil, while Kazakhstan and Tajikistan agreed to let the US use their airspace for military over-flights.

The tentative proposal to build a 3,000 kilometre pipeline from Kazakh oilfields close to the Caspian Sea to China was put on hold. Instead the Kazakhstan government renewed its commitment to the American proposal for a pipeline running under the Caspian Sea then across Azerbaijan and Georgia to the Turkish port of Ceyhan. A pipeline that would provide an alternative to the existing pipeline that runs to the Russian port of Novorossisk on the Black Sea.

Yet, like Russia, the attitudes of the Central Asian republics toward the USA have gone through an abrupt about

¹⁷ See 'China's Hunger for Central Asian Energy', *Asian Times*, June 11th, 2003.

¹⁸ See 'Brothers in Arms Again', *Asian Times*, August 20th, 2005; 'Hu Jintao Seeks to Secure Deliveries of Russian Oil to Fuel

China's Economic Growth', *Mosnews*, June 30th, 2005 and 'China and Russia, New Shooting Stars', *Asian Times*, September 9th, 2005.

¹⁹ Chien-peng Chung, 'The Shanghai Co-operation Organization: China's Changing Influence in Asia', *China Quarterly*, 180, December 2004; 'Hu's Central Asian Gamble to Counter the U.S. "Containment Strategy"', Willy Lam, *China Brief*, July 2005, Jamestown Foundation; also 'Energy: The Catalyst for Conflict', *Asian Times*, August 30, 2005.

turn over the past year. Under pressure from the Americans to open up their economies to the 'free market', and with the threat of US-sponsored 'orange revolutions' if they do not, the Central Asian republics have returned to the arms of China and Russia. As a result, SCO has been reinvigorated. At the meeting in July 2005 it was agreed that the pipeline between Kazakhstan and China would be built after all. In addition SCO called on the US to withdraw all its troops from Central Asia. Within weeks Uzbekistan followed this up by announcing that the American military bases on its soil would be closed. Only a lightening tour of the capitals of Central Asia by Donald Rumsfeld managed to stave off, at least for the time being, similar actions being taken to remove the American military presence elsewhere in the region.

Alongside its diplomatic initiatives aimed at Russia and the Central Asian republics, China has also attempted to build closer diplomatic ties with India, particularly over the issue of oil. Like China, India's recent rapid economic growth has required increasing imports of oil. As such, India is a potential rival with China over the carve-up of the oil reserves of Central Asia. However, China has sought to build on its common interest with India in challenging the 'Western dominance' of the world's oil industry. To this end China has entered a joint venture with India and Iran to develop Iranian oil production.²⁰ Furthermore, as a step towards the formation of an Asian bloc, there have been indications that India will participate in military exercises in 2006 with Russia and China.

At the commercial level, China's state-owned oil corporations have been busy buying up oil exploration and exploitation rights throughout Asia. The most audacious of such moves was the bid by China National Offshore Oil Corporation (CNOOC) to takeover the relatively small US oil company, Unocal. A takeover that was blocked in the name of 'American national interest'. Much of the opposition to the deal was based on the argument that the Chinese would be taking over American oil reserves. However, CNOOC had undertaken to divest itself of Unocal's interests in oil fields in America if the deal went through. The main interest of CNOOC in Unocal's was its oil and natural gas interests in Asia, such as its operations in Myanmar (formerly Burma), Bangladesh and Turkmenistan.

Although CNOOC's bid for Unocal was blocked, this has been compensated by another state-owned Chinese oil company - China National Petroleum Corporation (CNPC) - pulling off a US\$580 million deal to take over the Canadian registered Petro-Kazakhstan. Petro-Kazakhstan is the third largest oil producer in Kazakhstan.²¹ This deal, together with the proposed pipeline, not only serves to further consolidate China's access to the oil and natural gas resources of Kazakhstan but also allows the capture of the oil rents arising from their extraction.

So, in short, in recent months the 'new great power game' to carve up the hydrocarbon reserves of Central Asia has shifted sharply against the US and in favour of China. This, together with the concerns aroused by the rising price of oil, has served to fuel the notion of an imminent Chinese

threat to America's interests in various quarters of the American bourgeoisie. This has manifested itself, not only in the strong opposition to the CNOOC bid for Unocal, but also in moves in the US congress to impose economic sanctions against China if it failed to revalue the yuan. From within the Bush administration itself, Donald Rumsfeld has publicly expressed his concerns at the growing military might of the PLA.

However, the 'new great power game' around Central Asia is at an early stage and the situation is still in a considerable state of flux. With both India and Russia keeping their diplomatic options open, both generally and in regard to oil, the consolidation of a cohesive anti-Western Asian bloc is still a long way off. Indeed, the situation could turn against China just as quickly as it has turned in its favour over the past months.

In Bush's dealings with China, the concerns over the 'Chinese threat' are likely to be used as little more than bargaining counters over minor matters. The Bush administration needs continued Chinese co-operation in containing North Korea. It also shares with the Chinese government common interests in resisting calls from Europe for reduced carbon emissions to avoid climate change, and both governments have a common cause in opposing proposals to expand the UN Security Council.

However, much more importantly than such common foreign policy interests, is the fact that Bush cannot ignore the interests of American capital in making profits out of the rapidly expanding Chinese economy. So long as the relation between China and the US remains one of mutually re-enforcing capital accumulation the prospect of direct military confrontation remains remote.

Indeed, as we shall now argue, the best prospect for the US to head off the long-term threat of China to its hegemony would seem to be, not neo-conservative-inspired military adventures to either contain or even confront China, but the Trojan horse filled with neo-liberal ideologies.

Trojan horses?

For American bourgeois commentators there are two salient concerns regarding China's current stage of liberalisation and integration into the 'global economy'. The first, and most prevalent, is the issue of the exchange rate of the yuan to the US dollar. The second is the tardiness of the Chinese authorities in bringing about financial and banking reforms. As we shall see, both of these issues are interconnected, being aspects of a more fundamental contradiction in the current state-directed national accumulation of capital in China.

After mounting pressure from the US, it was announced on July 21st 2005 that the Chinese monetary authorities had decided that, after ten years, they would no longer seek to keep the exchange rate of the yuan with the US dollar fixed within a narrow band. Instead of pegging the yuan to the US dollar it would from now on be pegged to the basket of the world's most prominent currencies.²² However, this concession has so far only resulted in a modest 2% appreciation of the yuan against the US dollar, far short of the 30% or so appreciation of the euro that has occurred in the last few years.

²⁰ See 'China's Foot in India's Door', *Asian Times*, August 24th, 2005; and 'India and China: Comrades in Oil', *Asian Times*, August 19th, 2005.

²¹ See 'Kazakh Oil Coup for China, India Cries foul', *Asian Times*, August 24th, 2005.

²² See 'Aim is to Allow Greater Flexibility While Still Keeping Control', *Financial Times*, July 22nd, 2005; also 'Exchange Rate Reform in Long-Term Interests', *China Daily*, July 22nd, 2005.

For the US populist protectionist lobby, which has been most vocal and politically active in raising this issue, China's insistence in pegging the yuan to the US dollar has given China's exporters an unfair trading advantage. This, it is argued, is evident in China's growing trade surplus with the USA. If the Chinese authorities refrained from interfering in the foreign exchange markets, and thereby allowed the yuan to appreciate to its market level, then the large imbalance of trade between China and the USA would be eliminated. Given China's refusal to follow such a free market policy with regard to its currency, then the US government should intervene to 'level the playing field' by imposing tariffs on Chinese imports, so as to protect 'American jobs'.

In response the Chinese point out that although China has a substantial trade surplus with the US, this is offset by an equally substantial trade deficit with the rest of the world. Indeed, in 2004 China had an overall trade deficit. This, it is argued, shows that the problem is not the overvaluation of the yuan, but the failure of American companies to produce what the Chinese consumer wants to buy, and hence the failure to increase American exports to China so as to reduce the trade imbalance between the two countries.

Of course, it is certainly true that the flood of cheap Chinese imports into America in recent years has driven many small businesses to the wall and has accelerated the decline of certain industries and industrial areas in the USA. This impact on 'American jobs' has served as a rallying point for a politically potent populist alliance between sections of the industrial bourgeoisie, the petty-bourgeoisie and sections of the working class. However, for the American bourgeoisie as a whole this 'loss of American jobs' is of little concern compared with the lucrative opportunities continued Chinese capital accumulation is opening up.

Indeed, the Chinese response to the arguments of American protectionists enjoys a certain sympathy amongst the American bourgeoisie and their neo-liberal propagandists. However, having said this, many among the American bourgeoisie have their own reasons for wanting an end to a fixed yuan exchange rate, seeing it as a means to prise open China's barriers to the free movement of capital. As a result, they have advanced their own distinct and perhaps more seductive reasons for the Chinese authorities to abandon their efforts to manage its currency.

In contrast to the populist arguments that the pegging of the yuan to the dollar has been against American interests, many neo-liberal ideologues argue that it has also been against China's own economic interests. It is pointed out that much of the surplus dollars coming into China, which are bought up by the Chinese central bank, are due to the inflow of American foreign investment rather than the result of China's trade surplus. By then using these surplus dollars to buy US government treasury bills, the Chinese authorities are in effect granting the US short-term loans, which are then used to finance long-term investments in China that have the prospect of giving far higher returns. Thus in the long term China is losing out on the difference between the interest received on the US treasury bills they buy and the future returns they will have to pay out on American investments. Indeed, it could be argued that China would be better off investing its growing foreign currency reserves in its own industries.

Of course, despite the beguiling simplicity of such arguments, the Chinese government has had its own good reasons for maintaining a fixed exchange rate between the yuan and the US dollar. If nothing else, by pegging the yuan to US dollar, the Chinese authorities have been able to maintain not only the level but also the rate of growth of exports to the USA. At the same time, as the yuan has fallen with the US dollar against the euro, Chinese exports have been able to open up more markets in Europe. However, perhaps more importantly, by maintaining a fixed exchange rate with a falling dollar over the past five years, the Chinese government has been able to mitigate the impact of increased foreign competition on its still largely backward and inefficient agricultural sector that has followed China's accession to the WTO.

However, the more esoteric reason, and one that most often features in the obscure pronouncements of the Chinese monetary authorities, is the importance of maintaining 'financial stability'. For the Chinese monetary authorities the importance of maintaining a fixed exchange rate, whether this is in terms of the US or a 'basket of leading currencies', is that it buttresses their attempts to control the influx of speculative moneyed-capital. Indeed, a fixed exchange rate together with strict capital controls has been vital in insulating the Chinese financial system from the destabilising tidal movements of global finance capital²³.

Financial Reform

At the time of China's accession to the WTO many Western commentators had expressed serious doubts concerning the ability of the Chinese government to carry out the neo-liberal reforms within the agreed five year transition period. Indeed, many believed that China would end up reneging on what was after all a quite tough deal for the Chinese. However, in most areas of liberalisation and de-regulation of trade and industry the Chinese government has far surpassed such expectations and remains committed to the WTO agreements. Yet there is one sector of the economy that has been an exception and that has been banking.

It is true that the Chinese government has gone a considerable way in separating regulative and commercial functions in the banking system. The banks have also moved towards Western standards and procedures of accounting and have become less secretive about their financial position. Nevertheless, Western business commentators lament how Chinese bankers act more like state and party officials than as bankers, and, as a consequence, how political considerations continue to override commercial criteria in their decision making.

Western business commentators point out how this sub-ordination of the commercial to the political has resulted in an almost insurmountable problem of a vast and continuing accumulation of 'bad' or 'non-performing' loans. This, they argue, is due to the fact that banks are obliged to advance money to state-owned industry and local administrations for 'political reasons', giving insufficient regard either to whether the interest can be paid on these loans or even whether they can be paid back at all. Indeed, it has been estimated that 50% of all loans made by the major

²³ That the aim of western finance is the dismating of capital controls is revealed in article by a senior economist at Westpac bank, see 'What About the Capital Account?', Huw McKay, *Asian Times*, July 26th, 2005.

Chinese banks are 'non-performing' - that is the debtors are unable to pay the interest due on them and have accumulated more than \$500 billion worth of bad debt!²⁴

As a result, by Western standards most of the major Chinese banks would be considered insolvent, and would have been declared bankrupt long ago if it was not for the fact of repeated interventions by the state, both to re-capitalise the banking system and hive-off the bad loans of the banks' balance sheets to specially established state-owned Asset Management Companies.²⁵ Yet while such state interventions in the banking system serve to clean up the banks' current balance sheets from past bad loans they do nothing to prevent the generation of new bad loans. It is argued that the only way the problem can be solved is to reform the banks so that they operate according to purely commercial criteria. However, so far the Chinese government has been slow to bring about such reforms.

For Western commentators this slowness to reform the banking sector is puzzling given the government's commitment to reform in other sectors of the economy. It has been suggested that this reluctance to reform the banking sector is due to the importance of this sector for the political power games within the Party-State. As extensions of loans and credit are important in the allocation of resources within the state apparatus the control over banking policy is an important element in building up power bases within the Party-State bureaucracy.²⁶ No doubt this is certainly true as far as it goes. However, what this argument ignores is the vital importance of the current banking system for the state-directed national accumulation of capital.

The Chinese banks have more or less exclusive access through their branch networks both to the personal savings of China's vast and largely frugal population, and to the idle money balances of China's companies and corporations. They are therefore able to attract substantial savings deposits at very low rates of interest, which then form the basis of the banks' pool of loanable investment funds. Part of these loanable investment funds can then be lent out as commercial loans to the non-state sector at high commercial rates of interest. The high profit margins that are thereby made on these commercial loans then go to offset the losses the banks suffer on the other part of their loanable investment funds that they are obliged to lend at sub-commercial terms to state-owned enterprises and other state bodies. In this way the banks are able to provide the state with a very cheap source of funds that it can use for its own purposes.

Now, of course, there is a kernel of truth in the neo-liberal complaints that the state siphons off the investment funds of China's banks to provide 'politically motivated' subsidies to the 'inefficient and over manned' state-owned enterprises. As we have seen, central to their transformation into profit-orientated commercial corporations state-owned enterprises were to be shorn of their social functions in providing employment and welfare to their workers through

the *danwei* system. But this also meant an end to direct government grants and subsidies.

However, in order both to minimize and pre-empt class conflict, which has arisen from mass redundancies and the dismantling of the *danwei* system, the actual transformation of state-owned enterprises has become a long drawn out and frequently interrupted process. As a result, state-owned enterprises have found themselves still saddled with obsolete plant and machinery, continued obligations and commitments inherited from the *danwei* system and with an excess number of workers; but, at the same time, no longer able to obtain government grants and subsidies. To tide such state-owned enterprises over, or else enable them to invest in new plant or machinery in order to make the best of their restructuring, the banks have been obliged to advance them loans, even if the prospect of repayment may not be that great.²⁷ Furthermore, in cases where actual or potential resistance to the restructuring of state-owned enterprises may need to be bought off or else diffused, the banks have been required to advance, what are perhaps aptly named, 'peace & unity loans'.

To the extent that workers' resistance has delayed the transformation of state-owned enterprises into profit-orientated corporations then it has served to hold back reforms in the banking system. However, the financing of corporatisation is not the only function that the Chinese banks are obliged to perform within the state-directed accumulation of capital in China. They can also be seen as a means to ensure a more balanced capital accumulation.

In pursuit of the surplus profits that can be made on Chinese manufactured commodities sold on the world market, foreign direct investment in China has been largely concentrated in the export-orientated manufacturing sector. As we have seen, this direct investment has usually taken the form of transnational corporations entering into joint ventures with the Chinese state - with the state often retaining a controlling interest. Such joint ventures require the Chinese state to put up investment capital to match that of its transnational partners. This has meant that a large part of the state's investment funds, drawn from taxation and the dividends accruing from the state's share in capital in state-owned enterprises and joint ventures, is also committed to the export-orientated manufacturing sector. As a result, capital accumulation in this sector has tended to outstrip that of all other sectors of the economy.

However, rapid expansion of manufacturing requires the provision of cheap housing for its expanding workforce, it requires more roads, railways and harbours, it requires more power stations and a greater extraction of oil and coal, and the greater production of steel. Most of which are produced or provided by state-owned enterprises or other state bodies. However, the slow and often uncertain returns on major long-term construction projects; such as building roads, railways or power stations, are unattractive for private or foreign investors, particularly when the state is concerned to hold the price of industrial inputs, such as freight charges and fuel costs that such projects may serve to produce. Yet, with much of the state's investment funds committed to joint ventures in the manufacturing sector there is a shortage of

²⁴ See 'Banking Means Never Having to Repay a Loan', John Mulcahy, *Asia Times*, Aug 20 2003; and 'A Clearer Path Ahead for China's Banks?', George Zhibin Gu, *Asia Times*, July 2nd, 2005.

²⁵ See 'China's AMC Reforms Running Off the Rails', Qiu Xin, *Asian Times*, September 2005.

²⁶ See, for example, 'Dealing with Non-Performing Loans: Political Constraints and Financial Policies in China', Victor Shih, *China Quarterly*, 180, December 2004.

²⁷ These 'loans' can perhaps be seen as a sort of transitional form. Insofar as they have to be negotiated with the bank rather than a government office they are a loan, however, insofar as they are in effect non-repayable they are a hidden subsidy.

state capital for investment in such long term state sector projects. This has resulted, as we have seen quite clearly in relation to energy, in serious economic bottlenecks that threaten to derail China's rapid economic growth.²⁸

Tapping the investment funds of the banks provides a way round this problem of relative under investment in the state sector. By obliging the banks to lend to state-owned enterprises and state authorities for long term investment in fixed capital formation the Chinese planners can make up some of the shortfall in investment in this sector.

Thus the partly unreformed Chinese banking system has functioned both to finance and smooth the process of corporatisation, and to ensure a more balanced accumulation of capital. But the question that now arises is: how much longer can the Chinese banking system function in these ways? What will be the impact of full implementation of the commitments to the WTO on banking reform?

In December 2006 the five year transition period for WTO reforms will come to an end. The Chinese banking sector is then due to be fully opened up for foreign banks. Already deregulation has led to the establishment of nearly two hundred foreign banks with branches in China. However, they have been so restricted that they so far only account for a mere 1% of China's saving deposits. Nevertheless, China is an enticing prospect for foreign banks and, once the remaining restrictions are lifted, there is likely to be a great rush to get in.

Of course, the free market ideologues have been keen to point out all the benefits China will reap with the opening up of its banking system to foreign competition. New 'financial products' and modern customer-orientated banking practices will be able to draw into the banking system more savings and promote more efficient and flexible finance to commerce, industry and the individual.

Certainly foreign expertise in 'retail banking' - that is dealing with the mass of private individuals - will certainly improve what has been a long neglected aspect of Chinese banking. With the constraints imposed by low wages and peasant incomes, the provision of ample and 'flexible' credit to the emerging Chinese middle classes will help to expand the home market.

Yet, the development of retail banking could end up diverting the loanable funds of the banks from financing real capital accumulation, in either the state or private sectors, to fuelling a consumer spending boom and bust. Thereby not only dragging down the rate of capital accumulation but also increasing the financial instability in the economy and the financial system.

Furthermore, foreign competition will also lead to higher interest rates that banks will have to pay out on savings deposits, and lower rates they are able to obtain on the loans they make. As a result profit margins for the Chinese banks are likely to be squeezed, making it more difficult for them to carry the burdens imposed by any sub-commercial loans they are obliged to make. Thus the ability of the banks to support capital accumulation within the state sector is likely to be impaired by increased foreign competition.

However, it must be said that the Chinese banks are not unprepared. Taking advantage of new rules that allow

foreign capital to own up to 25% of their shares, the Chinese banks have entered a number of deals with foreign banks. In return for a head start in the Chinese banking market, these foreign banks are to provide expertise in Western banking methods. Faced with the exclusivity and opaqueness of the Chinese business world foreign banks will find it difficult to make much headway in China's financial system without connections - giving the Chinese banks a strong hand in their negotiations with potential foreign partners. Indeed, the exclusivity and opaqueness of China's 'red bourgeoisie' is likely to blunt the impact of the foreign competition in banking, as it has in other economic sectors. Thus, although it is likely to cause problems financing capital accumulation in the state sector and exacerbate the problems of uneven economic growth, honouring the WTO commitments to banking reform is unlikely to cause a financial or economic crisis by itself.

However, what the issue of this banking liberalisation illustrates is the increasing dilemma China's economic planners face. China's rapid economic growth and development has been based on the flood of direct foreign investment. Yet while foreign capital is attracted by the potential profits that can be made, it is wary of the lack of bourgeois democratic norms in China. The lack of well-defined and established property rights, the absence of the 'rule of law' and legal protection from arbitrary government decisions, means that the security of investment sunk in real productive capital in China is dependent on the goodwill of the leadership of the CCP. But in the back of every foreign capitalists mind lurks the lessons of the history of the rule of the CCP, which shows there can be no ruling out of an abrupt policy reversal that might imperil their capital.

To allay such fears the Chinese leadership have sought to make clear their commitment to continued liberalisation and deregulation, and, in doing so, have been obliged to incorporate the neo-liberal nostrums into their own pragmatic ideology. Yet, as the tide of liberalisation and deregulation begins to reach beyond the banking system and into the financial system as a whole, continued liberal economic reform threatens to undermine the very core of China's state-directed capital accumulation.

Global finance capital is already banging on China's door, eager to stake a claim on the prospective profits to be made, either by buying into Chinese capital or else offering loans. Their propagandists are insisting on the inevitable progression of economic reforms leading to the abandonment of impediments to the free flow of capital such capital controls, and, as we have seen, with them fixed exchange rates. Yet such calls for the necessity of further liberal economic reforms are echoed inside China, not only by the Westernised intelligentsia, but also by China's red capitalists and 'bureaucratic entrepreneurs' who are eyeing up the vast potential source of investment funds available in the global money markets.

Yet, while pressure mounts both inside and outside for further economic reform that will allow the free flow of capital into - and indeed out of - China, it will become increasingly difficult for the Chinese state to bind the real accumulation of capital to the accumulation of money capital. The Chinese economy will become vulnerable to the instability of speculative financial capital flows. A sudden panic may well lead to a mass exodus of speculative capital, leading to a devastating crisis like that which swept the East Asian Tigers in 1998, only on a far larger scale.

²⁸ On the problems of financing China's economic infrastructure see 'Privatising the Iron Rooster', M. Mackey, *Asian Times*, June 18th, 2005.

The future inter-regnum?

Up until now the emergence of China as a major force within the global accumulation of capital has not challenged the hegemony of the USA. Indeed, as we have argued, Chinese state-led export-orientated growth has in fact served both to bolster America's economic position and the tendencies towards the 'globalisation of capitalism' over which the USA presides. Of course, as we have observed, there may be serious pitfalls on China's upward path. But the question that now arises is, if China's red bourgeoisie can contain internal class conflict, maintain its current cohesion against the tidal forces of global finance capital and avoid conflicts with the USA over oil and other natural resources, can the present relation of mutually re-enforcing capital accumulation with America be sustained? Is it possible for China's economy to continue to simply and smoothly expand at its current breakneck pace until it overtakes Germany, Japan and eventually the USA to become the world's economic superpower? The answer is: most certainly not!

Already China produces 90% of the all children's toys and close to 60% of the world's clothing; it also produces, or at least assembles, 30% of the world's television sets, 50% of the world's cameras and 70% of the world's photocopiers. As China becomes the dominant Asian manufacturer the world prices of such manufactured commodities will be increasingly determined by their price of production in China. As world prices fall towards the Chinese prices of production the surplus profits, which arises from the difference between the two, will also fall. As a result, the vast inflows of foreign direct investment, which have been sucked in by the prospects of surplus profits, will begin to abate.

As a consequence, either the pace of capital accumulation in China will slow down, with perhaps unpredictable consequence for the containment of class struggle there, or else China will have to break into the production of commodities requiring more sophisticated and complex engineering and design. In entering such new hi-tech lines of production China will increasingly find itself in direct competition with the manufacturers in the advanced capitalist economies. In the competitive battle within these more hi-tech lines of production the availability of cheap simple labour-power will be far less of an advantage than it has been up until now. However, as a result of the state's investment in education over the last twenty years, China has built up a substantial base of scientists and engineers. Indeed, China and India combined are now turning out more university graduates than the USA and Europe, and, what is more, a greater proportion of these graduates are scientist and engineers.²⁹

China's movement towards more high-tech production is perhaps exemplified by the emergence of the Chinese car industry. The development of a fully developed indigenous car industry has been a long standing objective of the CCP leadership's economic strategy. The last four years has seen considerable progress towards this end. Since

China's entry into the WTO, most of the world's leading car manufacturers have entered into joint ventures with Chinese corporations. As a result, car production, or at least car assembly, in China has expanded rapidly. In 2001 Chinese car production figures stood at one million a year; this had risen to five million in 2004, and is expected to pass ten million by the end of the decade.

However, up until now, China's emerging car industry has remained largely limited to assembling cars in order to supply its own domestic market. Yet, in its low wage economy, the demand for cars is for the most part restricted to China's affluent but relatively small middle classes. Given the vital importance of economies of scale to car production, it seems unlikely that the home market will be able to sustain sufficient demand in the long run to make a fully developed Chinese car industry economically viable.³⁰

As a consequence, China will increasingly have to look towards exporting cars if it is to establish a fully developed car industry. But in doing so it faces serious obstacles. Firstly, up until now, the lack of economies of scale, due to low production volumes, combined with the high cost of importing components involved for assembly, has meant that China's low labour costs have been insufficient to make Chinese cars competitive in foreign markets.

Secondly, although they have been eager to exploit China's cheap labour-power to assemble cars, the world's major car manufacturers have been unwilling to share too much of their design, engineering and marketing skills with their Chinese partners - and possible future competitors - and have also been reluctant to transfer the manufacturing of key components to China. As a result, China's emerging car industry has so far lacked the means necessary to design, build and market its cars to break into overseas markets.

To overcome the problem of a lack of expertise in product design and development the Chinese state has encouraged state-owned car companies to buy in such expertise through the take over of ailing foreign car firms. An example of this was the recent take over of Rover MG. In the complex takeover negotiations between BMW and the two Chinese bidders for Rover - Shanghai Automotive Industry Corporation and Nanjing Automotive Corporation - it was clear that neither of the two Chinese companies were particularly interested in producing cars in Britain. Their primary purpose was to obtain Rover's vehicle and engine designs and its research and development skills.

To minimize the problem of a lack of economies of scale due to the restricted scale of its home base, China's car industry is concentrating on the export of upmarket luxury cars and SUVs. Early this year the Chinese car company Cherry announced plans to produce such upmarket vehicles to the US. By 2007 Cherry is planning to sell 250,000 vehicles in the USA and hopes this will rise to one million by early in the next decade. Nevertheless, the Chinese car industry, even with state backing, still faces an uphill struggle to break into what are already an oversaturated foreign car markets, particularly as it will have to face the exacting environmental regulations in the US and Europe.

Even if China eventually does break into the potentially lucrative markets of the USA and Europe it will not be for some time. Conception, design and the building of

²⁹ Perhaps an indication of China's growing research and development base is the rapidly rising numbers of patents that are being registered by Chinese universities. Last year 6,000 patents were registered, more or less the same amount as in the USA. See 'The West Must Heed China's Rise in the Global Patent Race', *Financial Times*, September 21st, 2005.

³⁰ It is estimated that only 2% of China's population - or about 30 million people - can afford a life-style comparable to the American or European middle classes.

car plants to produce new models aimed at new markets can take several years and with China only now beginning to turn towards large scale exports, it is unlikely that Chinese producers will be a major player, outside certain niche markets, until well into the next decade.

If China succeeds in winning the competitive battle over the production of hi-tech commodities, such as cars, then it will involve a further restructuring of world capitalism on a scale perhaps even greater than that of the 1970s and 1980s. Manufacturing capital in the USA and the other advanced capitalist countries will be faced with either bankruptcy or the relocation of their productive capital to low wage countries or even China itself. As industrial capital is relocated, the USA and the other advanced industrial economies will become 'hollowed out'. They will become rentier economies, increasingly dependent on the returns on their financial investments in China and elsewhere. The twilight years of US, and indeed European and Japanese, economic dominance will then have most certainly arrived.

Yet such a transfer of productive capital will also involve the wholesale transfer of manufacturing jobs and thus mass unemployment in the advanced capitalist economies. Consequently, China will find itself exporting consumer commodities that the unemployed workers in the West can no longer afford to buy. At this point, the world is likely to enter a major economic slump. In such circumstances of intensified economic competition we are likely to see a rise of protectionism and nationalism; which is likely to lead increasingly to trade wars, inter-imperialist conflict and war. The era of 'free trade and globalism', of a united 'international bourgeois community' and of the American-centred 'empire', which up until now the emergence of China has helped to sustain, will be brought to an end.

Yet, it must be said, that although the portents may already be evident, such a 'post-globalisation' period, and the terminal decline of US Hegemony, remains some way off in the future.

Conclusion

So, will China be able to sustain its current rate of economic expansion? If so, can it eventually mount a serious challenge to American hegemony? What implications will this have for the class struggle?

As we have seen, in harnessing foreign capital in the exploitation of its vast working class, China has established itself as a distinct epi-centre in the American-centred global accumulation of capital. In doing so, it has so far established a relationship of mutually re-enforcing capital accumulation with the advanced capitalist economies, particularly the USA, which has served both to sustain its own rate of economic growth and that of the world.

With this virtuous cycle of mutually re-enforcing capital accumulation, it would seem likely that China will be able to maintain its current rate of economic growth, at least in the short to medium term. But does this mean that China will be able to overtake the US to become the world's new hegemonic power? This is far less certain. China has still a long way to go. China's economy is still only a fifth the size of that of the USA in terms of output and is still very much a 'developing economy'. In terms of GDP China may be

overtaking the UK to become the world's fourth largest economy, but this is to ignore its huge population. In terms of GDP per head China still ranks as one of the poorer countries in the world. Perhaps more importantly, as we saw with China's car industry, China is still very much dependent on both the technology and the expertise in engineering, research and development of the advanced capitalist economies.

Furthermore, the relation of mutual advantage between China and the USA, which has sustained China's rapid economic growth, will not last forever. As we have pointed out, conflicts may well arise between China and the USA over natural resources, particularly oil. Further liberal economic reforms may lead either to the dissolution of China's state-led national capital accumulation and its disintegration as a distinct epi-centre in the global accumulation of capital or else to it being torn apart by the tidal forces of global finance capital.

However, even if China avoids such pitfalls on the road to world hegemony, sooner or later - probably sometime in the next decade, the relation of mutual re-enforcing capital accumulation between China and the advanced capitalist economies will turn into its opposite. China will then have to either accept the place it has established in the world economic order, or else make its claim for world hegemony. It will then be that the battle will commence shattering the precarious unity of the world's bourgeoisie. Indeed, if this century is to become the Asian Century then it may well be as bloody as the last.

China's integration into the global economy has served to sustain the re-invigoration of the global capital accumulation that followed the restructuring of the 1970s and 1980s. The exploitation of the Chinese working class has served to restore the rate of profit and given fresh impetus to capital accumulation world-wide.

However, the British bourgeoisie has perhaps benefited from this re-invigoration of global capital accumulation more than most. An unprecedented period of uninterrupted economic growth, falling unemployment, low inflation and increasing real wages has allowed New Labour to consolidate and extend Thatcher's defeat of the old labour movement and re-negotiation of the post-war settlement. The ability to concede real material gains has allowed British capital to wean its working class from the remnants of its old collectivism and solidarity and re-integrate it as individual consumer/citizens. Yet, as we have seen, this period of relative bourgeois peace, prosperity and social tranquillity is only contingent and transitory. Indeed, we may well be past the meridian point of this period already.

However, all that we have said so far is contingent on the continuing exploitation of the Chinese working class. China's transformation has involved an immense re-making of the Chinese working class and the formation of a new industrial proletariat. In the next issue we hope to examine this re-composition of the Chinese working class in more detail.

Keep on smiling

Questions on immaterial labour

Introduction: a colourful necklace

Toni Negri and Michael Hardt's recent works, *Empire*¹ and *Multitude*², have earned these authors great popularity in the Anglo-Saxon world. Negri is known in Italy for belonging to *autonomia operaia* in the '70s and for being on the receiving end of political persecution by the Italian state at the end of that decade. His earlier work (above all *Marx Beyond Marx*)³ was a valid contribution to the understanding of the nature of capitalism and influenced many among us who sought an answer to Marxist objectivism and a theory of history based on class struggle.

However, Negri's earlier work circulated among a restricted public, via obscure publishers. The new Toni Negri for the 'new' era emerges in 2000 with *Empire*. A tome written with literature professor Michael's Hardt, *Empire* was warmly welcomed even by the bourgeois press.⁴

Negri's popularity is to be found above all in the fact that his new work addresses important questions, opened by the end of the cycle of struggles of the '70s. In particular: can we still speak about communism, the revolution, classes, in a world where the conditions for working class struggle seem to have been dismantled?

The new Negri proclaims the advent of a new, postmodern, phase of capitalism, in which orthodox Marxism no longer applies; and which needs a new theory: theirs. As Negri and Hardt say:

Social reality changes... then the old theories are no longer adequate. We need new theories for the new reality... Capitalist production and capitalist society has changed... (*Multitude*, p. 140)

Negri and Hardt's work to find a new theory for the 'new' world proceeds alongside other academics, such as Paolo Virno or Maurizio Lazzarato. Their effort contributed to the development of new concepts such as that of 'immaterial labour' and the 'multitude'.

An important reason for Negri and Hardt's popularity is that their work seems to integrate the most fashionable theories of the last twenty years: postmodernism, theories of post-Fordism, weightless economy, etc. - but it is also a theory that presents itself as revolutionary and anti-capitalist.

Another important reason for Negri and Hardt's success is that their theory is able to cover an enormous number of popular and urgent issues: globalisation, the retreat of

traditional class struggle, aspects of capitalist restructuring, the emergence of new social movements, the Zapatistas or the anti-GM peasant struggles in India.

We may perhaps be surprised that one book (or two: *Multitude* appears mainly to clarify *Empire's* arguments⁵) can contain all this. But Negri and Hardt have a secret: they employ a new, postmodern style suitable, as Maria Turchetto comments, 'for zapping' rather than for a systematic reading.⁶ Thanks to this style Negri and Hardt can swiftly touch upon a broad range of loosely interrelated issues, often in passing, often addressing the immediately obvious and the immediately agreeable. And indeed, for example, *Autonomy & Solidarity* notices that Negri and Hardt's attractiveness is in the unquestionable positivity of their 'demands for true democracy, freedom from poverty and an end to the war'.⁷

Although it has generated innumerable criticisms and comments, Negri and Hardt's theory of everything escapes a comprehensive critique simply because of this fractal nature.⁸ We, too, are obliged to focus, of course. But we choose an issue that seems to be the backbone of their whole construction: the concept of immaterial labour/production.

In *Empire* Negri and Hardt claim they contributed to an international theoretical effort of definition and understanding of the concept of immaterial labour, the new labour for the 'new' era.⁹ Initially conceived as labour based on the use of thought and knowledge, immaterial labour was later enriched by Negri and Hardt with the aspect of 'manipulation of affects'. And it was redefined in terms of its aims rather than the nature of its material activity in order to dodge obvious objections (any labour, let alone 'affective' labour like care, always involves physical activity, etc.).

By *Empire* then, the newest definition of immaterial labour was: labour whose aim is to produce immaterial goods (*Multitude*, p. 334). As Negri and Hardt explain in *Multitude*:

The labour involved in all immaterial production, we should emphasise, remains material... what is immaterial is its product. (*Multitude*, p. 111)

⁵ In fact *Multitude* seem to have been written with the aim to patch up the disastrous effect of the war in Iraq on their theory. Or to answer to a number of criticisms from the left: for example, to endorse not a revolution but decentralised micro-struggles.

⁶ 'L' Impero Colpisce Ancora', <http://www.intermarx.com/interventi/impero.html>.

⁷ http://auto_sol.tao.ca/node/view/1307. This review also praises their 'critical rethinking' of basic political concepts such as democracy, sovereignty, representation.

⁸ Among many articles on Negri and Hardt: Ugo Rossi, 'The Counter-Empire to Come', *Science & Society*, Vol. 69, no. 2, April 2005, pp. 191-217; Maria Turchetto, *L'Impero*; Paul Thompson 'Foundation and Empire: A Critique of Negri and Hardt', *Capital and Class* 86, Summer 2005, pp. 73-95.

⁹ In *Empire*, p. 29, they mention the work of 'Italian radicals' and quote the philosopher Virno as a reference. An important review of Negri's pre-*Empire* work is Nick Witheford's 'Autonomist Marxism and the Information Society', *Capital and Class* 52, pp. 85-125.

¹ Antonio Negri and Michael Hardt, *Empire*, Harvard University Press, London, 2000.

² Antonio Negri and Michael Hardt, *Multitude*, The Penguin Press, New York, 2004.

³ *Marx Beyond Marx*, Autonomedia, London, 1991.

⁴ For example, *The New York Times*, as socialist Alex Callinicos, embittered by Negri's attacks on traditional Marxism, reminds to us in 'Toni Negri in perspective', *International Socialism Journal*, Autumn 2001, <http://www.isj1text.ble.org.uk/pubs/isj92/callinicos.htm>

So defined, immaterial labour has two main aspects:

- a) it is 'manipulation of symbols' (i.e. IT work, production of knowledge, problem-solving, etc.) and/or
- b) it is 'manipulation of affects' (production of emotions, well-being, *smiles*, etc.).¹⁰

Despite this stress, in the course of their work Negri and Hardt freely use both the definitions considered above: immaterial labour as the creation of immaterial products *and* as any labour implying 'immaterial' practices (e.g. post-Fordism and computerisation).

If this conceptual freedom may confuse us, it is only because we still think of production in a traditional way: as production of commodities. A more open mind like theirs, which sees production as anything done in society, can easily conceive the communication between staff in a car factory as a product in its own rights. Thus post-Fordist production can be seen as immaterial production alongside services and IT.

In fact, under the 'hegemony' of immaterial production, all production, including material production, tends to become more immaterial - living in a world where immaterial production is central, we increasingly tend to produce all goods for their images and meanings rather than their material functionality.

Not only all production, but, Negri and Hardt repeat many times, society as a whole is shaped by immaterial production. Immaterial production defines the way we see the world and the way we act in the world - in Hardt's words, it has 'anthropological implications'.¹¹ As we read in *Multitude*, immaterial production shapes society in its image. It makes society more informationalised, intelligent, affective:

Our claim... is that immaterial labour has become hegemonic in qualitative terms and has imposed a tendency on other forms of labour and society itself... Just as in [the times of the 'hegemony' of industrial production] society itself had to industrialise itself, today 'society has to informationalise, become intelligent, become affective. (*Multitude*, p. 109)

Daring more, Negri and Hardt argue that not only does immaterial production influence society, but it actually produces it. This is true, they say, because this new production mainly aims at the production of communication and affects. Daily, tons of communication and affects are created by services, by selling 'with a smile', by the advertising industry, and *via* the Internet - not to speak about all the communication encouraged by Toyotism. Taking this production of communications and affects as a production of 'social relations and social life' in its entirety, Negri and

Hardt call immaterial production a 'biopolitical production', i.e. a production of life:¹²

It might be better to understand [immaterial labour] as 'biopolitical labour', that is labour which creates not only material goods but also relationships and ultimately social life itself. (*Multitude*, p. 111)

As we will see later in detail, immaterial production defines a 'new' form of capitalist exploitation by the new global capitalist regime, Empire. But it also makes a revolution against this regime possible. How? Immaterial production, being based on the powers of our thoughts and hearts, is already potentially autonomous from the capitalist they say. Only a little step then separates us from taking this production over from the parasitic capitalist and self-manage it.

We can appreciate then how immaterial production sustains Negri and Hardt's arguments and their political project. And, as we shall see below, it allows Negri and Hardt to construct a broad, universal theory that can present itself as radical. This is the reason why we will focus on immaterial production in this article. If we want to critique a multicoloured necklace it is not good enough to speak about the necklace as a whole and miss the beads - but it is not good enough too, to focus on one bead. *What we try to do is to have a go at the string.*

In this article we will argue that under the appearance of a revolutionary theory, Negri and Hardt's work hides a subtle apology for capital and constitutes an inverted version of the traditional Marxism that it was set to oppose.

In Section 1 we see how the concept of immaterial labour substantiates all the most interesting aspects of Negri and Hardt's theory and keeps apparently contradictory or incompatible elements of it together in an elegant unity.

In Section 2 we explore Negri and Hardt's idea of history as class struggle, specifically, the historical emergence of immaterial production.

In Section 3 we comment on Negri and Hardt's argument that immaterial production is inherently autonomous from the control of the capitalist, thus potentially free from capital and amenable to self-management.

In Section 4 we consider the origin of class antagonism in the case of immaterial production of ideas and knowledge. In Section 5 we consider the issue of class antagonism in the case of immaterial production of affections and communication.

¹⁰ Negri and Hardt stress that these two aspects are normally entangled. Elsewhere immaterial production is described as three-fold, regrouping their aspects differently. See, for example, Michael's Hardt's 'Affective Labour', *Makeworlds*, Friday 26 /12/2003, <http://www.makeworlds.org/node/60>.

¹¹ Michael Hardt, 'Affective Labour'.

¹² The term 'biopolitical' is borrowed from Foucault, but, as Maria Turchetto (*L'Impero*) shows, it is subverted from its original sense.

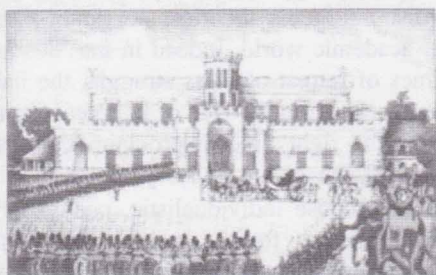
1 Immaterial labour and a new theory for the 'new era'

In this section we show that the concept of immaterial labour, or better, immaterial production, is the pivotal element for Negri and Hardt's analysis and for their popularity. On the one hand it allows them to subsume the bourgeois theories which, in the '80s, challenged traditional Marxism. But on the other hand it allows them to subsume these theories into a revolutionary, subjective, anti-capitalist theory. And it seems to offer an explanation for the new movements which sounds reasonable (and flattering) to the participants.

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1.1 Immaterial labour and the millennial theories

As we anticipated in the Introduction, immaterial labour plays a fundamental role in a central quality of Negri and Hardt's theory: its intellectual universality. Specifically, both *Empire* and *Multitude*, as well as Negri's pre-*Empire* work, successfully appropriate a large range of theories of the present among the most fashionable of the '80s and early '90s.¹³ As we will see, it is precisely the concept of immaterial production that enables this appropriation without making the result appear obviously eclectic.

In particular, Negri and Hardt adopt 'truths' from 'millennial' views of the present world which, in different ways and for different reasons say that we live in a 'new era':

¹³ In fact Negri and Hardt scan the *whole* history of bourgeois thought since Spinoza and (very!) freely appropriate concepts and observations of others.

a post-industrial, postmodern, post-Fordist, society. Let us make a short list of such theories:

a) Toyotism and post-Fordism

A widespread millennial theory is that we live in a 'new' era dominated by the transition from industrial/Fordist, production to post-industrial/post-Fordist production - with Toyotism as the champion of a new vision ('paradigm') of production.

This idea was theorised by the French Regulation School as early as the 1970s.¹⁴ By the end of the '80s such ideas were widespread in the intellectual world, having perhaps lost rigour but gained inter-cultural, multidisciplinary breadth. It was widely acknowledged that the 'new' paradigm of post-Fordist production dictated a new view of life as 'open networks' and had buried linear or structured views of seeing the world, connected to industrial production.

The western business world was intrigued by Toyotism in the '80s and early '90s. Toyota's methods such as 'just-in-time' (zero-stock) production and team work, together with plenty of ideological fripperies about 'integrating' the working class and winning their hearts and minds, were introduced in a number of factories e.g. Rover at Longbridge, UK, or FIAT at Melfi, Italy in the early '90s.¹⁵

However, this interest is in decline, if it has ever been that important at all.¹⁶ For example, FIAT's recent trends are to speed up conveyor belt work. Their notorious harsh method TMC2 has triggered recent fierce struggles in all their plants included Melfi!¹⁷ Although time moves on for the business, it does not for Negri and Hardt, who still consider Toyotism as 'hegemonic' in production - even when everybody else has given up the idea.

b) Information society theories and knowledge economy theories

Championed by academics (or popularisers) such as Brzezinski, Toffler and Ohmae 'information society theories' claim that the 'new' hi-tech production has led to a 'new' post-capitalist society.¹⁸ Similarly, academics and/or popularisers such as Robert Reich insist that we live in a

¹⁴ For the Regulation School (Aglietta, Coriat, etc.), Fordism and post-Fordism were periods of socio-political equilibrium reached around the two forms of productions. This is more sophisticated than just focusing on the simple material process of production. For a critique of these ideas see, Ferruccio Gambino, 'A Critique of the Fordism of the Regulation School',

http://www.wildcat-www.de/en/zirkular/28/z28e_gam.htm.

¹⁵ See Valeria Pugliano, 'Restructuring of Work and Union Representation', *Capital and Class* 76, Spring 2002, pp. 29-63.

¹⁶ As Gambino finds out, there is numerical evidence that, between the end of the '80s and the end of the '90s in France, post-Fordist production did not displace convey-belt practices of work at all (Gambino *A Critique*).

¹⁷ If some aspects of Toyotism could be still in use, they are within a system which is essentially a conveyor belt system. For the struggles in Melfi see, e.g.

http://www.marxismo.net/fm176/06_pomigliano.html.

¹⁸ These ideas went up and down in popularity according to the state of health of capitalism. For example, it was popular at the end of the '60s and '70s with Brzezinski, Bell and others (Witthoford, *op. cit.* pp. 86-8). See our review of Witthoford's *CyberMarx* in this issue.

'new era' where knowledge and analytical labour is central in a new weightless, advanced economy. These changes have abolished the contradictions of capitalism, exposed the Marxist concept of value as meaningless, and/or abolished the division of western society into classes.¹⁹

c) *Millennial shift to service work*

Extrapolations of some trends in production have long led to the claim that we live in a 'new era' where production has moved to the service sector, taking the lead from industrial production and changed the paradigms of production. In this 'new' era where service is central, it is argued, Marx's analysis of labour and value cannot be applied anymore - a view which we find in Rifkin, for example.²⁰

d) *Postmodernism*

Postmodernism suggest we live in a 'new' society characterised by a number of overlapping aspects, all of which imply that what has been said about capitalism is outdated. One aspect of the post-modern society is the fragmentation of identity and, crucially, the end of a working class identity. Another aspect, which we find for example in the work of Jean Baudrillard, is that since today production is centred on the symbolic meanings of commodities, the Marxist concept of 'use values', thus all Marxist analysis, is outdated.²¹

Negri and Hardt's summary of bourgeois thought

Let us seen now how the concept of immaterial production allows Negri and Hardt to appropriate all the diverse theorisations or observations above in what appears one, elegant, unified theory.

First and most importantly, immaterial production is appropriately defined to include all the different activities (from IT to services) considered above.

Second, immaterial production appears to explain Baudrillard's observation that goods are increasingly produced and bought for their symbolic meanings. Indeed, as we said earlier, under the 'hegemony' of immaterial production the production of material goods is increasingly the production of images, ideas or affects.²²

¹⁹ It has to be added that after the deflation of the dot.com boom such theories have lost most of their puff.

²⁰ See George Caffentzis, 'The End of Work or the Renaissance of Slavery? A Critique of Rifkin and Negri', <http://korotonomedia.net/otonomi/caffentzis.html>.

The concept of service is in fact miscellaneous. It only means: anything except production of material products. Service includes also the financial sector, which diverts surplus value produced in mainly material production elsewhere (see our review of *CyberMarx* in this issue).

²¹ See, for example, *For a Political Economy of the Sign*, Telos Press, 1981. Baudrillard's argument conflates use value with the utility of an object. In fact for Marx 'the form of use value is the form of the commodity's body itself' ('The Value-Form' in *Debates in Value Theory*, Ed. Simon Mohun, The MacMillan Press Ltd, 1994).

²² This aspect is central in Maurizio Lazzarato's concept of immaterial labour. See, for example, 'General Intellect, Towards an Inquiry into Immaterial Labour', <http://www.emery.archive.mcmail.com/>

Third, under the 'hegemony' of immaterial production, which stresses 'communication' and 'cooperation', all material production tends to adopt post-Fordist methods of production such as, er... Toyotism. In fact Toyotism involves lots of communication, co-operation, use of 'synergy' etc. - at least if we believe in the Japanese-management-inspired business plans of the late '80s.

Last but not least, the hegemony of immaterial production on society explains the postmodernist observation concerning the present fragmentation of workers' identity. The new organisation of immaterial production in fact defines a new way, in general, that we interrelate in society: as networks of free 'singularities'. The party, and other such rigid structures made sense only within a paradigm of industrial production, and now are rejected. Negri and Hardt stick to the ideology of postmodernism, by celebrating the isolation of recent struggles, and suggest that their failure to spread could mean that they were 'immediately subversive in themselves' (*Empire*, p. 58). For Negri and Hardt, a new cycle of struggle will not be characterised by an extension of struggles, but by a constellation of individual struggles, which will be flexibly and loosely connected in networks (*Empire*, p.58).²³

Thus 'immaterial labour' has elegantly embraced, explained and surpassed all the above theories and observations in one Unified Theory.²⁴

Negri and Hardt's appropriation of such postmodernist and post-Fordist bourgeois theories, no doubt earns them respect in the academic world. Indeed in the '80s and early '90s, grim times of retreat of class struggle, the balance of academic prestige tilted on the side of bourgeois, triumphant theories. It was the right time to proclaim the end of the working class and the end of history; to sneer at 'paleo-Marxism';²⁵ and propose individualistic, postmodern, post-industrial, 'new' theories for the 'new' world. Unlike the Marxists that tried to refute their theories, Negri and Hardt rather appropriate them. In doing this they do not side with the loser, with the paleo-Marxist - they side with the intellectual winners who have history on their side.

1.2 Immaterial labour, and the contradictions of capital

While on the one hand Negri and Hardt take onboard the bourgeois celebrations of the end of history and class struggle, on the other they are able to incorporate these views in a theory which still speaks about class struggle and still sees capital as a contradiction.²⁶ This again is made possible by the concept of immaterial production.

In fact for Negri and Hardt immaterial production is itself a contradiction for capital, precisely because of its

public_html/immaterial/lazzarato.html

²³ Negri thus appeals to those, among whom us, who object to the traditional working class organisation based on the party. However, it is not good enough to embrace postmodernist enthusiasm for fragmentation and isolation and delude ourselves that this is subversive.

²⁴ Of course, their theory is presented as superior to postmodernism and all the other theories they appropriate! See, for instance, how they discuss postmodernism in *Empire* p. 142-3.

²⁵ Term of insult given to Marxism by postmodern author Jean Baudrillard in his work.

²⁶ Withford, 'Autonomist Marxism', pp. 85-6; 88; 96-7 values Negri for his apparent capacity to supersede the bourgeois theories.

immaterial nature. Unlike material activity, Negri and Hardt suggest, the production of communication, ideas or affects escape capital's control and make labour increasingly autonomous from capital. Capital is thus trapped in a dilemma: on the one hand it needs to encourage heart and mind activities, on the other its control is undermined by them.

'Immaterial production' creates also another contradiction: it undermines private property.²⁷ Indeed, repeat Negri and Hardt *ad nauseam*, immaterial products, which are products of thought, are necessarily created in common as commons - 'no one thinks alone', they insist, and add: no production of ideas can exist without a socially shared world of ideas, shared languages and culture (*Multitude*, p. 147).

Facing this threatening form of production, capital, it is argued, has to strive to re-establish private property by appropriating, enclosing, controlling, what it is currently produced 'in common' (*Multitude*, pp. 149; 113). In trying to interfere and restrain the freedom of 'common' production, however, capital hinders its productivity. Capital then is trapped in a contradiction: that between the socialisation of the forces of (immaterial) production and the logic of private property.

1.3 Immaterial labour and subjectivity

The concept of immaterial production serves Negri and Hardt to have the cake of adopting bourgeois objectivistic theories and to eat them in a subjectivistic custard.

The post-Fordist and information theories which are taken onboard by Negri and Hardt are in fact essentially doctrines of autonomous technology or autonomous forms of production where technology or methods of production are the prime mover of history and capable of shaping subjectivity and society as a whole.²⁸ We can appreciate how attached Negri and Hardt are to these theories when we read, for example, that the present 'paradigm' of production 'dictates'... 'our ways of understanding the world and acting in it' (*Multitude*, p. 142). Or that: 'postmodernisation or informationalisation today marks a new way of becoming human' (*Empire*, p. 289).

On the other hand, while toying with such objectivistic ideas, Negri needs to give them a radical twist, in order to make his theory exciting and to be true to his revolutionary past. But how can Negri realise this twist? Thanks, we say, to the concept of immaterial production.

In fact, first of all, immaterial production is itself the product of subjectivity and class struggle. In fact it was born in the '60s and '70s, as the class's subjective, autonomous, experimentation with 'new ways of producing'. Capital was forced to move into immaterial production to dominate a new labour power that had redefined itself, autonomously, as creative, communicative and affective (*Empire*, p. 276).

Second, once established as dominant production, in its ongoing practice immaterial production has a subjective, autonomous, drive. It is immaterial, it is the result of out

thoughts, thus the result of our subjectivities and it is then inherently autonomous from capital. With immaterial production labour manifests its autonomy from capital, which *Autonomia* has always seen hidden behind capitalist production. As Witheford notices:

[For] Autonomist Marxism ... the worker is the active subject of production, the well-spring of the skills, innovation and co-operation on which capital must draw... Capital needs labour but labour does not need capital. Labour... can dispense with the wage relation... it is potentially autonomous. (Witheford, 'Autonomist Marxism', p. 89)

Immaterial labour hence produces a 'new' condition in which subjectivity has a central role as a prime mover of capital's innovations, today.

Having proclaimed that production is today driven by our autonomous subjectivity, Negri and Hardt can claim without appearing objectivistic that the paradigm of immaterial production shapes our subjectivity in turn. What's wrong in saying that our subjectivity is determined by something, if we have discovered that, ultimately, this something was created by our subjectivity itself?

Lastly, class struggle against capital is led by subjectivity too. We are shaped by production, but, Negri and Hardt add in a generosity of overdetermination, 'workers' subjectivity is *also* created in the antagonism of the experience of exploitation' (*Multitude*, pp. 151, our italic).

Exploitation? Did they not say that today immaterial labour is done 'in common, autonomously from capital'? Negri is clear indeed: in the 'new' era of immaterial production we can no longer speak of the real subsumption of labour. Today we are all free, independent craftsmen, all producing with our own means of production: our brain. If now, Negri says, 'we have all the tools we need to work in our heads... [then] capitalism today needs to make free men work - free men who have their own means, their own tools'.²⁹

But Negri and Hardt cannot deny the undeniable. Exploitation and capitalist control still exist - only, they explain to the increasingly confused reader, in a new form. Capital today superimposes and appropriates what we produce 'in common', as free and independent producers. As Negri says:

Capital must... superimpose itself on the autonomous capability of manufacturing knowledge.... This is the form which expropriation takes in advanced capitalism (Toni Negri, *The Politics of Subversion: A Manifesto for the Twenty First Century*, Polity, Cambridge, 1989, p. 116)

In this conception, we are petty producers - or if we prefer, autonomous peasants - while capital only acts as a predator, an aristocrat who comes to the village and

²⁷ An important contradiction which we do not deal with here is that 'immaterial' production affects the substance of value since immaterial products can be duplicated - for Negri and Hardt this makes private property and the imposition of wage work increasingly untenable (*Multitude* p. 311).

²⁸ Witheford, 'Autonomist Marxism', p. 88.

²⁹ Toni Negri, interview with Mark Leonard, 'The Left should Love Globalisation' *New Statesman*, 28 May 2001, http://www.findarticles.com/p/articles/mi_m0FQP/is_4539_130/ai_75505896.

appropriates a part ('or all') of what we have produced.³⁰ This new form of exploitation is the cause of *antagonism*, a subjective spring of struggle.

1.4 Immaterial labour and viability of revolution - self-management

And what about the future communist world? Also here the concept of immaterial production plays an important role. Thanks to immaterial production, revolution becomes something feasible and rational.

How? Negri and Hardt explain: unlike previous production, the rationale and means necessary for immaterial production are increasingly inherent in labour practice itself - this means that immaterial production is already under our control and the capitalist already parasitical. Revolution as self-management is only the next feasible and rational step (*Multitude*, p. 336).

Beyond production our new society as a whole is also increasingly amenable to political self-management, thanks to immaterial production. This happens because, in Negri and Hardt's view, immaterial production is also production of life, biopolitical production. Their logic is straightforward: if immaterial production is increasingly autonomous from capital, society as a whole is too, because production is one with production of life and society. This, Negri and Hardt tell us, happens now, under our unbelieving eyes!³¹ Indeed today,

The balance has tipped such that the ruled *now* [sic] tend to be the exclusive producers of social organisation... the rulers become *even more parasitical* the ruled become increasingly autonomous, capable of forming society on their own.... (*Multitude*, p. 336)³²

In this optimistic view, the revolution will be the liberation, reached at a political level, of already developing immaterial forces of production and social relations from the parasitic control of already redundant capitalist rulers. This kind of revolution appears rational and viable, being based on something already present.

1.5 Immaterial labour and a reassuring new world

Revolutionary theories are normally rather scary - but this one is reassuring, thanks to immaterial production.

It is a theory which speaks about a future that is imaginable, thus acceptable: the revolution will not require radical subversions, jumps in the dark, too much imagination or other such uncomfortable things. In this view the future will simply be the completion of the present, based on already existing conditions created by immaterial production now.³³

Crucially we are reassured that the future will be democratic and egalitarian. The present un-democracy and inequality are effects of a distortion - of the fact that capital overlaps and channels our production, creating despotism and spurious selectivity on our capacities, thus inequality of rewards.³⁴ But this is not, they insist, inherent in immaterial production in itself. Indeed, the relations currently created by immaterial production *are* 'civil processes of democratic exchange', democratic in nature (*Multitude*, p. 311) and confer on us 'equal opportunity of struggle' - and thus the equal opportunity to negotiate power in the future society.

The most attractive aspect of Negri and Hardt's theory is that 'immaterial labour has the quality to be about unquestionably *positive things*: democracy first, but also creativity, affections, communication, and so on. Communism as the self management of the present will be based on all these unquestionably good things. Who would not like the idea of communism if this means lots of good things?

1.6 Immaterial labour, and the new movements

The concept of immaterial labour also serves Negri and Hardt to appeal to those from the advanced western countries involved in current anti-capitalist protests, the movements for global 'social justice', etc.

In the present times of defeat and weakness, the demonstrations in Genoa and Seattle, the anti-war movement, and many large or small radical activities are indeed a demonstration of power, but they do not, because they cannot, challenge our daily work relations and reproduction as an immediate target.

This audience wants to hear about the end of capitalism, but through democratic values and practices which are the only values and practices that seem conceivable in our conditions. As we have seen already, Negri and Hardt can satisfy them with their stress on 'ideal' democracy.

This audience want a theory which explains their struggles, which are not struggles for bread and butter. Negri and Hardt fit the bill. In a 'new era' which focuses on immaterial rather than material goods, it is no surprise that the new struggles are not about bread and butter issues anymore, but over the control of 'communicational resources'; over 'the communal appropriation of computer and media networks, over the freeing of educational and research resources...'. (Witheford, 'Autonomist Marxsim', p. 110) Or we can always see any present struggle as an expression of 'biopolitical' production of communication and affects, if we want to.

In Negri and Hardt's theory these 'new struggles' have then a centrality in history, they are part of the very revolution which leads us to communism. For a protester who is told by the Marxist that what he does is historically epiphenomenal, Negri and Hardt's theory is the best doctrine around. What can be more exciting to be told: 'Well done, you are in the driving seat of History'?

³⁰ 'There is a distinct... neo-feudal flavour in today's privatisations', Negri and Hardt state in *Multitude* (p. 186).

³¹ 'The biopolitical social organisation begins to appear absolutely immanent... the various elements present in society *are* able collaboratively to organise society themselves (p. 337).

³² Or, on p. 339: 'Just as the multitude produces in common... it can produce... the political organisation of society' (p. 339).

³³ See *Multitude*, p. 354, sentence cited later. The shortcomings of revolutionary utopia is 'solved' by Negri and Hardt by proposing a

future which is based on what we have now! These two views are in fact two sides of the same coin the one as bad as the others.

³⁴ As Witheford in 'Autonomist Marxism' explains, pp. 110-1.

2. The origin of immaterial labour as class struggle

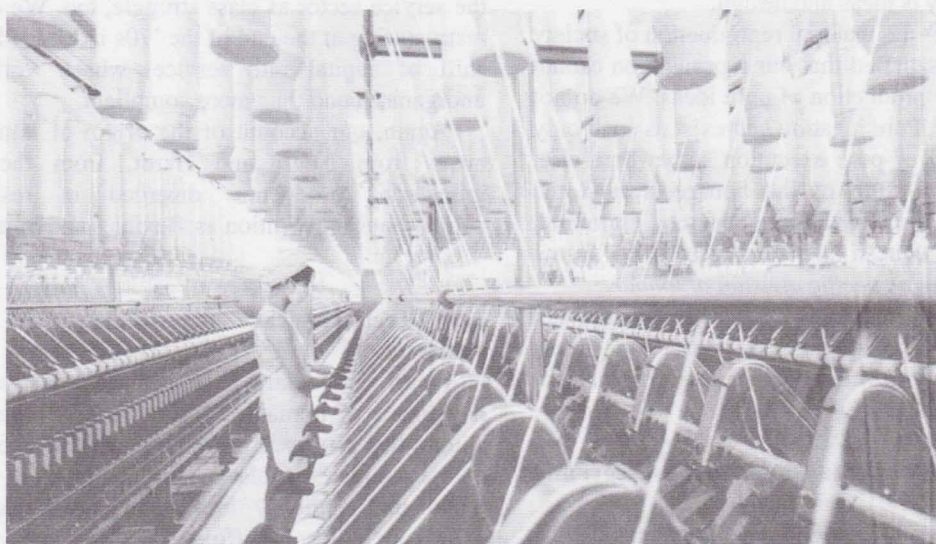
In this section we comment on one of the central issues in Negri and Hardt, that immaterial production is itself the result of the struggles of the '60s and '70s, when the class experimented with 'new productivity', and autonomously redefined itself as creative, flexible, communicative labour power. We agree that the emergence of what Negri and Hardt call immaterial production should be analysed as class struggle, but we argue that immaterial production is an aspect of the domination of capital over labour, though contradictory and unstable. We then question Negri and Hardt's vision of immaterial production as having inherent anti-capitalist aspects in itself and their view of a communist future based on its self-management.

2.1 Immaterial labour as the result of subjectivity and class struggle - myth and reality

How did immaterial labour come about? According to *Empire*, during the struggles in the '60s and '70s against large scale industry, the working class produced its 'paradigm'. The mass worker was so strong that they could fold its arms and stop capital exploiting them. Many proletarians, still students, refused to enter the factory. This free people, Negri and Hardt say, embraced Bohemian life, artistic activity and psychedelic production in LSD (which is, we admit, immaterial *per excellence*).

Thus, Negri and Hardt conclude, the class redefined itself, autonomously, as creative, communicative, flexible labour power, forcing capital to adopt immaterial production in order to exploit it. This marks the birth of immaterial production according to Negri and Hardt: capital had to abandon the large scale factory, its linear production, its inflexible working day and its mechanistic logic and employ open networks and flexi-time and give space to creativity. Since then immaterial production becomes 'hegemonic'.

Negri and Hardt's theory is unproblematically subjective, exciting and revolutionary. It tells us that there is something inherently positive in the present hegemonic production, and that this is the result of our autonomous vitality. Do we agree with this exciting history of immaterial production as class struggle? We agree, of course, with the principle that history is the history of class struggle, and that the dynamics of capital are aspect of this struggle, but we are sceptical about the specific way in which *Empire* seems to apply this principle.



Let us then consider the emergence of immaterial production more closely, and see how this articulates with class struggle. What we will see will no doubt inspire less feel-good effects to our readers than Toni Negri's inspiring, rose tinted optimism. But, as we will discuss later, the reality of capital as a contradiction is not that we feel good in it but that we inescapably feel *bad*.

2.2 A class struggle analysis of the origin of immaterial labour as the creation of ideas and knowledge

Let us consider first the aspect of immaterial production as the creation of ideas and knowledge.

Against traditional Marxism, which saw history as driven by the development of the forces of production, *Autonomia*, with Mario Tronti in particular, re-proposed in the '70s that history is a history of class struggle and that the objectivity of capital is a result of this struggle.³⁵ The laws of capital hide the continual necessity to undermine working class resistance, its entrenchment in their existing skills. This is why capital needs to continually innovate and rationalise production, in order to deskill labour and weaken the working class. This is class struggle which appears, *post facto*, crystallised in the objective laws of capital or in the objective rationale of innovation, progress and development of capitalist production. However, this objectification is the

result of a continuous process of impositions and rebellions, which obliges capital into compromises and makes it vulnerable to further struggles.

The emergence of immaterial production as the production of ideas and knowledge can be explained as part of this process. Since the beginning of capitalism, this continuous battle

has led to the need to separate mental from manual labour. With Wedgwood's pottery manufacture, we have an important example of how craft work was separated from its elements of autonomy and creativity. Making pots became a painting-by-numbers activity, while *design* emerged as an alien ruler, a tool for the subsumption of the worker's labour.

While in the transition to capitalism the capitalist Wedgwood has a role of master craftsman, later the capitalists farmed out his creative role to independent or waged designers, specialists, engineers and managers. We have now the new figure of a creative professional worker, unthinkable in the past.

Increasingly, the place where ideas and organisational frameworks were devised was separated off. This eventually gave rise to what Negri and Hardt call immaterial production: the production of designs, IT systems, etc. as

³⁵ See Witheford, 'Autonomist Marxism', p. 89.

'commodities' in their own rights. These are sold to other capitalists for the second stage of production: execution.

With the commodification of immaterial products we have the beginning of a trend to rationalise immaterial production itself. This is the next stage of class struggle: increasingly, we see the multiplication of figures such as the engineer who just calculates elasticity factors within a project on which he has no control. Increasingly, being a qualified designer may not mean to have a highly paid, secure and creative job.

As we will see later, the dynamic which separates creative from executive labour involves antagonism. Thus this process starts and ends with class struggle.

2.3 A class struggle analysis of the ideology of weightless design

The bourgeois ideology of the 'new' era of immaterial production is the celebration of the production of weightless goods as today's main or fundamental product.

It is possible to make sense of this ideology. In a world where ideas and execution are separated and the latter deskilled, the bourgeois economist correctly considers the production of ideas and design as the most valuable and costly part of all production. In turn, the bourgeois ideologue can generalise this interest and conclude that what is 'mainly' produced today is ideas and design.

In fact if we consider the material reproduction of society as a whole, we can be satisfied that our reproduction cannot happen only through the production of pure ideas. We do not eat, drive or wear ideas. Pure ideation can exist as such only because there is a stage of pure execution somewhere else. Thus behind the partial truth of the bourgeois (and the Marxian simpleton) we discover a more concrete, important, truth: what is mainly produced and reproduced today is not ideas and knowledge, but *a specific division of labour*.

That Negri and Hardt uncritically adopt the postmodern and bourgeois fetishism of weightless production means quite a lot: their inability to see the existence of immaterial production as a class relation.

2.4 An answer to traditional Marxism - and to Negri and Hardt

Negri and Hardt's incapacity to understand the emergence of immaterial production as the imposition of a specific division of labour leads them to see immaterial production as something natural, and potentially autonomous from capital. To them we raise the same objection that Italian workerists raised to traditional Marxists. Against a vision of production as neutral and potentially good for self-management, Raniero Panzieri warned that this conception hid an uncritical acceptance of capitalism. Of socialist background, Panzieri accepted self-management as a reasonable step in the revolution, but he gave a warning: communism needs a rethinking of society which necessarily leads to a rupture with its processes of production.³⁶

³⁶ Raniero Panzieri, 'The Capitalist Use of Machinery: Marx Versus the Objectivists', <http://www.geocities.com/cordobakaf/panzieri.html>. Wanting a rupture does not mean to be Luddite. In our daily struggle we are bound to twist and use capital's resources and exploit its contradictions. For example, deskilling the typographers

Of course, Negri and Hardt would say: history moves and things change. Immaterial production is different from the industrial production of traditional Marxist times. We may not argue (here) with this 'truth', but this does not change what we have said. Rather, it makes what we said more compelling. If our 'new' times are characterised by immaterial production then the new revolution for the 'new' times will have to imply a rupture, precisely, from immaterial production!³⁷

2.5 A class struggle analysis of the origin of immaterial labour as the creation of communication and affects

We have so far focused on the emergence of immaterial production as the creation of knowledge and ideas.

But it is also possible to account for the emergence of post-Fordist methods of production in terms of class struggle. In the face of the strength of the mass workers centred in the large scale industry in the '70s, restructuring meant to fragment industrial production. Team work was a way to separate the workers within the same industry and disintegrate their solidarity. Outsourcing, moving production abroad, re-divided labour on a world scale. This process, too, separated the workers not only physically but more importantly in terms of their interests, employment contracts and working conditions.

It is possible to account for the recent shift of capital into the service sector as class struggle, too. We can see how the restructuring at the end of the '70s indeed led to a substantial shift of capital into service, where workers were still unorganised and thus more compliant.

Again, our account of the origin of immaterial is miles away from Negri and Hardt, from the fairytale that immaterial production emerged in response to our autonomous redefinition as 'flexible' and immaterial.

2.6 Technological determinism or autonomous subjectivity?

Negri and Hardt's rather peculiar account of the emergence of immaterial production is based on a peculiar axiom: that history is moved by an autonomous will, the will of the autonomous class. This assumption, which traces its intellectual authority to one of the founding fathers of bourgeois philosophy (Spinoza), has already been shown to be undialectical.³⁸

Allegations of being non-dialectical should not be taken as a banal insult. Being non-dialectical would not be too bad

has allowed the thickest of us to be a poster designer for our political campaigns.

³⁷ Our idea of revolution is that of supersession: This is not a banal abolition of the present but a qualitative subversion that can only be realised *from within and against* the present. The abolition of immaterial production for us is not the abolition of creativity but the reintegration of the unity of aims and execution in the production of our life.

³⁸ For the non-dialectical approach in Negri and Hardt see, John Holloway, 'Going in the Wrong Direction, or Mephistopheles, Not Saint Francis of Assisi', <http://www.slash.autonomeia.org/analysis/02/10/26/1536243.shtml>.

Despite the reservations we have about John Holloway's thought (see our review article in *Aufheben*, # 11, 2003, pp. 53-56), we think his critique of Negri is sound, clearly expressed, and very close to our criticism.

in itself, if this did not create serious problems in Negri and Hardt's theorisation.

Indeed, a view of history as pure will and subjectivity is bound to smash its head against its non dialectical counterpart: a view of history as pure objectivity - the bourgeois idea that we are 'shaped' by the paradigms of production. To the non-dialectical mind this second aspect of reality appears as compelling as the first, and still cannot find a place in their theorisation except as a juxtaposition. *Empire* and *Multitude* confuse the reader with contradictory assertions which are presented without any serious effort to resolve their contradictions. Do we create history as autonomous subjects? Or are our thoughts and actions dictated by the paradigms of production - then is history determined at every paradigmatic moment?³⁹

The clash of one truth and its anti-truth and the consequent explosive annihilation of the whole theoretical construction is however, safely and cleverly prevented by keeping these 'truths' separated in time and space. Thus, Negri and Hardt say: *today*, in the mundane present, we are shaped by production in our hearts, minds and actions (this will please our academic colleagues in the literature department); *yesterday*, during the mythical '68, we lived a moment of absolute freedom to redefine ourselves outside existing paradigms (this will please Nick Witheford).

Negri and Hardt's method of juxtaposition, however, is not good enough to convince the experienced and knowledgeable readers who have associated talks about paradigms of production and technology with bourgeois and conservative literature.

To convince us that there is a revolutionary logic in saying that we are shaped by paradigms of production, Negri and Hardt manipulate our sense of respect for our elders and invoke the authority of old Marx himself. For Marx too, they say, 'of course [sic] everything starts with production' (*Multitude*, p. 143). For him too, they say, 'production makes a subject for the object' (*Multitude*, p. 109). This no doubt will defuse most objections.

Since we in *Aufheben* are not confused by any sense of respect for our elders, we bothered to check on old Marx. We found simply that Negri and Hardt had cut quotes out of their context and twisted their original meanings!

In fact for Marx everything starts with 'the real individuals and their intercourse'.⁴⁰ Marx's *Capital* does not start from modern industry to explain society but it starts from our relations of exchange to explain modern industry.⁴¹

Marx himself would agree, of course, that all starts with production; but only if we intend production as something concrete, embedded in a social relation: *as production of commodities for the market*. As such, production is the

reproduction of our social relations as market relations and as such it reproduces us as proletariat. However, this is miles away from what Negri and Hardt simplistically meant.

By dismissing (and rewriting) Marx's theory of labour, sadly, Negri and Hardt dismiss a theory that can effectively oppose technological determinism as well as understand its aspects of truth. This theory sees the real individual in their social relation with others as the concrete reality behind both the apparent objectivity of production and our continual challenge to this objectivity. This view, importantly, does not need any desperate separations of mythical past and mundane present, because it sees history as a continuous process and a continuous struggle.

3. Immaterial labour and capital as objectification

In this section we comment on Negri and Hardt's thesis that immaterial production is ripe for self-management since this 'new' production is inherently independent from the individual capitalist. We argue that the apparent objectivity and autonomy of immaterial labour from the capitalist is only evidence that immaterial production is an aspect of capital. We argue that Negri and Hardt's uncritical naturalisation of the present production system derives from their lack of understanding of capital as an objectified social relation. We will see that this problem is mirrored by a parallel, opposite one: Negri and Hardt's lack of critical understanding (and celebration) of capital as the product of bourgeois subjectivity.

3.1. Production as inherent in the practices of labour

Negri and Hardt tell us that there is something interestingly new in immaterial production that material production did not have - something that can really change our future and allow us to create a communist world based on the self-management of the present production.

Indeed, we read, immaterial production has disposed of external means of production and of the despotic direction of the capitalist. By its nature, immaterial production is in fact increasingly inherent in the same practice of labour:

The central forms of productive co-operation are no longer created by the capitalist as part of the project to organise labour but rather emerge from the productive energies of labour itself. (*Multitude*, p. 113)⁴²

In immaterial production, continue Negri and Hardt, the capitalist is increasingly redundant as the organiser of production and the one responsible for innovation.⁴³

[While in the past] the capitalist calls workers to the factory... directing them to collaborate and communicate in production and giving them the means to do so, in the

³⁹ Some readers like Maria Turchetto (*L'Impero*) blamed an alleged 'dialectic' in Negri and Hardt for the apparent contradictions in their theorisation. In fact these contradictions are due to an undialectical juxtaposition.

⁴⁰ Karl Marx, 'The German Ideology' in *Early Writings*, Ed. Lucio Colletti, Pelican, London 1975.

⁴¹ Marx never held a material theory of labour, which started from material aspects of production or the products, but a *social* theory of labour. His 'materialism' was a theory that saw society as a material starting point, in opposition to idealism which started from ideas.

⁴² See also: 'Such new forms of labour... present new possibilities for economic self-management, since the mechanisms of cooperation necessary for production are contained in the labour itself.' (*Multitude*, p. 336)

⁴³ Also: 'We can see numerous instances in which unitary control is not necessary for innovation and that on the contrary innovation requires common resources, open access... [e.g.] in the sectors that have most recently emerged as central to the global economy, such as information knowledge and communication' (*Multitude*, p. 337)

paradigm of immaterial production, in contrast, labour itself tends to produce the means of interaction, communication and co-operation for production (*Multitude*, p. 147).

Is there an element of truth in Negri and Hardt's claim that today labour itself produces the means for production? That production becomes increasingly inherent in the process of labour itself and autonomous from the capitalist? The answer is: yes, but this has always been true!

It is true in fact that in capitalism labour itself produces the means for other labour and production. In capitalism, more than any other previous form of production, nobody can produce without using the result of other people's labour. The figure of the autonomous craftsman who uses his own self-created tools is unthinkable today. This is what traditional Marxism used to call the 'socialisation of labour'.

Also, it is true that in capitalism the logic of production is increasingly inherent in the practices of labour. This was not obvious in previous modes of production, where labour was deployed because of some human need (often the need of the ruling class) - only in capitalism do we have this peculiar fact: labour is demanded and necessitated by previous labour, production stimulates production, invention demands invention, according to a logic of expansion and development that goes beyond the will and control of the individual human being.

Crucially, it is important to stress, this logic goes beyond our own will and control. For example, our call centre labour is commanded by phones ringing and a computer programme that tell us what to say. This is the result of previous work. The labour of an IT worker is normally demanded by a gigantic project which asks for work done in a certain way and with a certain pace. This is the result of past IT work. Labour in a traditional factory is demanded by a machine. This was, too, the result of someone else's past labour. A worker in a post-Fordist team works according to organisational systems which were devised by the thinking work of other people.

All our work in capitalism is given a logic, a pace, a necessity, by the result of other people's work. It does not matter how immaterial or material this latter labour was. What matters for us is that it is *dead labour*: previous labour, alienated from us, which has turned to be our ruler: capital.

Negri and Hardt seem to know what dead labour is for Marx. They say that Marx would call Empire a regime of accumulated dead labour. (*Empire*, p. 62) However, they insist that labour, if immaterial and 'biopolitical', has a special, fresh, everlasting vitality. Living labour is, they say, 'the ability to engage the world actively and create social relations'. And they add that living labour is a 'fundamental human faculty', an input of the human being, not something pertinent to capital as such.⁴⁴

⁴⁴ 'Living labour, the form-giving fire of our creative capacities. Living labour is the fundamental human faculty: the ability to engage the world actively and create social life. Living labour can be corralled by capital and pared down to the labour power that is bought and sold and that produces commodities and capital, but living labour always exceeds that' (*Multitude*, p. 146). Marx said this, they claim. Believe them.

More mundanely, and less poetically, living labour is labour which is presently done for capital, for dead labour.⁴⁵ Living labour cannot be naturalised as an a-historical 'fundamental human faculty' as Negri and Hardt say, for the simple reason that living labour and dead labour are two faces of the same reality: capitalist alienation. In communism there will be no reason to speak of dead labour, thus there will be no reason to speak of living labour either.⁴⁶

Negri and Hardt's incapacity to understand capital as objectification of our (living) labour implies their incapacity to understand capital as objectification *tout court*.

3.2 It's capital: this is why it does not need the capitalist

The objectification of capital is a real objectification for all humans, *including the capitalist*.

This is why the capitalist is not the initiator of a technical innovation: in front of capital with its inherent laws of self-expansion, the capitalist has no choice. He has to follow hard necessity and innovate in the rush for competition when others innovate. Or he goes bankrupt.

We can also see how the capitalist is 'redundant' not only as initiator but as organiser of the labour process. The more production is advanced the more the organisation of labour becomes integrated in complex organisational system - production is better run by 'objective' mechanisms, laws or business principles which reflect more closely the laws of capital. The capitalist as an individual, with his whims and idiosyncrasies, can even be disruptive for his own capital.

Toyota's system is presented in *Empire* as an example of the new immaterial production that can dispense with the capitalist and which 'seems to provide the potential for a kind of spontaneous and elementary communism' (*Empire*, p. 294).

The lure of Toyotism is that it presents itself to the post-Fordist simpleton as a gigantic automated feedback system from demand to production. In its original idea, Toyotism is similar to a fast-food shop: customer A demands a piece of work from worker B. Worker B writes down an order for the materials he need to serve A on a tag (called 'kanban') and passes the tag to worker C upstream. In turn, worker B becomes the 'customer' of worker C and commands worker D, etc.⁴⁷ Hence Toyotism may seem to be a system of production free from centralised command.

⁴⁵ See, John Holloway 'Time to Revolt - Reflections on *Empire*', *Dissonance*, Issue 1, http://www.messmedia.net/dissonance/issues/issue01/issue01_9.htm: 'Living doing is subjected to past done. Living doing is subjected to the things made by past doing, things which stand on their own and deny all doing'.

⁴⁶ We object that 'labour' is not a 'human faculty' - 'labour power' is. The conflation of labour power with labour in Negri is not due to imprecision, but is ideological. In a new mode of production that needs only our brain as a tool, the faculty of labouring can be immediately conflated with the deployment of labour.

⁴⁷ For a description of Toyotism and a (really) rational consideration of the contradictory authoritarian and liberal aspects in it see, Andrew Sayer, 'New Developments in Manufacturing: The Just-in-Time System', *Capital and Class*, 30, Winter 1986, pp. 43-72.

In fact subtly, Negri and Hardt⁴⁸ do not say that Toyotism has no authoritarian aspects. Only, the alienating aspects of Toyotism are contingent, due to capital's control, while the good aspects of Toyotism are inherent in this 'new' immaterial form of production.

We cannot share such excitement. We see Toyotism, first of all, as an effective way to produce more closely in response to market demand.⁴⁹ What makes it different from Fordism and so special for the liberal heart is that it simply perfects the liberal dream of 'customer sovereignty' within a perfected market society.

Having observed that Toyotism is a production system devised for satisfying the market, we cannot simplistically think that the liberal aspects of Toyotism (the apparent autonomy given to the workers) are inherent while the illiberal ones (the overall control) are contingent. The demand of the market is something alien from the individual worker's desires, needs or aspirations: Toyotism is necessarily a system aimed to rein the workers' will and activity towards an alien aim - only, it is devised in a different way than Fordism.⁵⁰ On closer inspection, in fact, it is not difficult to see that Toyota's workers are free to do or suggest only what is already harmonising with the strategies of production - and crucially its overall system is devised to be structurally inaccessible to changes from the bottom.

Any further illusion of the inherent liberalism in Toyotism is exposed by its development: its increasing computerisation, which allows the Toyota managers to dispose of the *kanban* system and plan production in detail.

Thus Toyotism inevitably mirrors the nature of capital itself. As such, that it has a liberal face and a despotic face does not surprise us at all: capital has indeed a democratic face and an authoritarian face, each necessary to the other. None of these two faces is a distortion of the other, and none can be 'rescued' from the other.

The democratic face of capital, which we find mirrored in the democratic face of Toyotism, is nothing else than our submission to impersonal forces, to the market. It is our individual freedom to be slaves under the intangible despotism of the customer's sovereignty.

Negri and Hardt's inability to see how capital dominates us through impersonal forces prevents them, paradoxically,

from seeing that immaterial production *needs* the capitalist in order to stay in existence. Let us look closely at this point.

3.3 It's capital: this is why it needs the capitalist

A production system that demands labour from us because of its own rationale cannot be nothing else but our old enemy: capital as value valorising itself through the exploitation of labour. As we have seen in Section 2, capital's self-valorisation implies for capital the need to overcome workers' resistance and the striving to subsume, rationalise, deskill and command labour. The existence of immaterial production itself, we have seen, is one with this striving.

In Section 4 we will see in detail that this same process implies, for the worker, daily pain and boredom, thus daily resistance. The consequence of this is that capital necessitates a 'capitalist' class. Or, better, capital needs a class of people who materially gain from the daily alienation of others and are ready to exert violence in order to keep the others under capital's command.⁵¹

In their view present (immaterial) production increasingly does not need the capitalist and thus does not need force exerted on us, Negri and Hardt seem only to echo the bourgeois delusions of the '80s, which sought the integration of the working class in production as possible and non-contradictory.

This ideology was applied in Europe through experiments with Toyotism and other post-Fordist methods in the early '90s. These methods tried to encourage workers to take individual responsibility in improving the quality of production and identify themselves with the business.

But they all inevitably failed. An interesting example of this failure was that of the Rover factory in Longbridge. With the project *Rover Tomorrow*, work was initially organised in teams, with leaders elected among the team. The imaginable result was that the workers never respected the commands of their team leaders, so that the leaders had to be appointed by the company as someone above them (Pugliano, 'Restructuring of Work', pp. 38-9). The workers' disrespect for peers with a leadership role was not just something cultural: it is in the contradictory nature of capital that we cannot identify ourselves with capital without contradictions.

But why does Negri and Hardt's talk about the increasing possibility of self-management seem to make sense? When we speak about 'immaterial labour', normally our mind goes to certain administrative, creative or professional jobs where there is a real experience of identification and self-direction. Self-management was realisable and desirable, for example, for the highly skilled workers at Lucas Aerospace in the UK and at Toshiba-Amplex in Japan, who went on a strike to demand autonomous control of production from their managers (Witheyford, 'Autonomist Marxism', pp. 103-4).

Can we speak about autonomy of production in this case? Not at all. In fact, the existence of autonomy in certain privileged activities does not mean that this activity is autonomous from capital but the other way round: that the professional or creative workers identify so much with the aims and interests of their business that they can become the

⁴⁸ As well as other fetishists of Toyotism like Maurizio Lazzarato ('General Intellect...').

⁴⁹ Negri and Hardt admit that they are aware of *caveats* by the Frankfurt School (Habermas), that a transmission of 'market data' is somehow impoverished. However, they add, the service sector presents a richer model of productive communication, in that this production aims to produce more immaterial products. And in a footnote they suggest that Habermas's ideas are surpassed and critiqued (*Empire*, p. 290).

⁵⁰ In their account of the struggle in Fiat Melfi, Mouvement Communiste explain how Toyotism was introduced to improve exploitation and impose massacring shifts within a conveyor-belt production. In order to introduce this system without resistance Fiat employed in Melfi mainly young people with no experience of organised struggle from a region which had a very high unemployment level. However this failed to stop increasing resignations and resistance. ('Fiat Melfi: La Classe Ouvrière d'Italie Contre-Attaque', *La Lettre de Mouvement Communiste*, 13, May 2004, BP 1666, Centre Monnail 1000, Bruxelles 1, Belgique).

⁵¹ In general capital needs a class who has an interest in imposing its rule on the others. See, 'What was the USSR?' in *Aufheben* # 6-9, 1997-2000.

managers of it themselves, in the same way as a petty bourgeois is the manager of his own business.

Negri and Hardt's idea that we can all become the managers of ourselves, that we can take the present system of production over and self-manage it, is then a petty bourgeois delusion that does not acknowledge the imposition of capital's command only because it is used to internalise it.

3.4 Subjectivity and the invisible hand of... immaterial labour

We have seen that a doubt arises, that Negri and Hardt cannot see that the apparent objectivity of the present production system, rather than being evidence of its autonomy from the capitalist, is instead evidence of its nature as capital. Negri and Hardt's incapacity to grasp objectivity in capitalism makes us suspicious about their insight in the other, opposite, concept: subjectivity. Let us then focus on their idea of subjectivity and collective consciousness.

We have said that for Negri and Hardt immaterial production potentially escapes capital, being the result of our individual subjectivities: thoughts, decisions, desires and 'democratic exchanges'.⁵² The multitude, which is our collective consciousness, is the ultimate result of this same dynamic - of innumerable individual interactions which take place within the present immaterial production. Negri and Hardt's theory is hence both the theorisation and the celebration of a 'new' world which is ultimately shaped in its collective consciousness, and driven in its productivity, by subjectivity itself.

Subjectivity for Negri and Hardt is then nothing else than the ensemble of each individual's desires and thoughts. In fact, it is unquestionable that desires and thoughts come out of free subjects. But this is, precisely, where Negri and Hardt have caught reality totally wrong. Capital is, and has always been, the result of innumerable, perfectly free, democratic exchanges, decisions, desires and thoughts of individual subjectivities! The fact that capital is created by the will and actions of individuals however does not make it less objective and less powerful - instead, its power lies in our individual freedom of choice and exchange itself.

Negri and Hardt do not speak of a new world at all. The Multitude, a by-product⁵³ of immaterial production seems, in fact to be, merely, socially-shared bourgeois consciousness: the socially-shared belief that the only way to produce and reproduce ourselves is through acts of 'democratic exchange' and the only way to see ourselves is as free individuals⁵⁴ engaged in such exchange. This collective consciousness is only an aspect of the same process that creates the objectivity of capital! This collective consciousness is objectified as capital itself, since it emerges as an unconscious result of innumerable exchanges and activities, in the same way as the invisible hand of Adam

Smith emerges from innumerable exchanges based on individual greed.⁵⁵

Negri and Hardt's naturalisation of bourgeois relations is so uncritical that they even see their preservation as a 'creative' aspect of struggles which are not able to go beyond them! In *Multitude*, Negri and Hardt hail recent struggles which are, they say, 'positive and creative'. Why? Because, for example, as we read with dismay in Argentina people *invented new forms of money* (*Multitude*, p. 216).

Again, Negri and Hardt's problem is their ideological rejection of dialectics. In the dialectic of capital, subjectivity and objectivity play opposite but interrelated parts. An undialectical approach that takes 'subjectivity' as something positive on its own is bound to misunderstand both subjectivity and objectivity. It is bound to confusingly celebrate capital as bourgeois subjectivity (not recognising that capital is the product of individual free subjects). And it is also bound to confusingly celebrate present production as autonomous from capital (not recognising that we are ruled by objectified and impersonal forces).

Such an approach is also bound to encourage passivity. Seeing Empire (capital) as something that develops in separation from us and 'opens up spaces for struggle' by itself, Negri preaches to us not to resist 'globalisation' and vote 'yes' for the neoliberal European Constitution in France.⁵⁶ In fact the 'space for struggle' is created by capital's development and its dialectical counterpart: our *resistance* to it - such as the struggles against gas privatisation in Bolivia and the riots in Argentina.

To conclude, considering Negri and Hardt's inability to see the relation between objectivity and subjectivity in capitalism, we cannot be too surprised then when we see them move along a conceptual parabola: start from shouted, crass subjectivism and dive head down into a crass objectivism, a neo-traditional-Marxist fetishisation of the present immaterial forces of production.⁵⁷ And, to close the parabola into an ellipse, they teach us that our subjectivity is, after all, the result of the paradigm of immaterial production itself - something objective.⁵⁸

⁵⁵ To get rid of the objectivity of capital it is not good enough to give a different name (*potenza*) to our potentially autonomous power and another name (*potere*) to the power of capital, as if they really existed side by side and if it were only a matter of becoming aware of our existing power!

⁵⁶ See, for example, Roberto Sarti, 'Toni Negri Against the Empire... For a Capitalist Europe!', *Interactivist Info Exchange*, May 30, 2005 <http://info.interactivist.net/article.pl?sid=05/05/31/0447208&mode=nested&tid=4analysis/05/05/31/044720.s.html?tid=4>.

⁵⁷ Negri and Hardt resurrect a theory which pivots on potentially free and powerful subjective 'will' from one of the first founders of bourgeois thought: Spinoza.

⁵⁸ While Negri and Hardt conflate the object into the subject ('all is due to subjectivity'), *Theorie Communiste*, (we surely do not need to remind our readers of them), as Negri's negative mirror image, end up conflating the subject into the object ('all is due to the relations of capital and labour'), and appear to assert the same millennial gospel but for completely opposite reasons: due to forces that are beyond our individual consciousness and will, we now live in a 'new' era when the revolution is possible. For a critique of such theories which claim that our collective subjectivity is somehow 'forced' towards a certain historical direction (the revolution) by

⁵² Negri and Hardt celebrate the ideal freedom of democratic exchange. If there is something wrong in our real exchanges and communications, they argue, this is due to an undue overlap of capital's control: 'exchanges and communications dominated by capital are integrated into its logic' (*Empire*, p. 363).

⁵³ Sorry: bio-product?

⁵⁴ Sorry: singularities?

4. Immaterial labour and the mind of capital

We now consider the subjective side of immaterial production i.e. how immaterial production is related to class antagonism and the necessity of the revolution. Negri and Hardt say that antagonism emerges from our resistance against capital's efforts to tamper with our potentially autonomous deployment of creativity and to enclose what we produce in common. To this view we oppose that antagonism arises from the unacceptability of a division of labour that imposes our daily deprivation of creativity, and we explain why immaterial production is part of it.

4.1 The contradictions of immaterial production as the contradictions of capital

Negri and Hardt's theory has the interesting aspect of speaking about subjectivity. Against bourgeois objectivism it tells us that the development of capital and its contradictions are the result of antagonism, of subjectivity. As we have seen in Section 1, for Negri and Hardt antagonism is triggered by capital's attempt at imposing its command and control over immaterial production, which is increasingly done in common and which produces commons.

We wholeheartedly agree that history is moved by class struggle, and that class struggle is triggered by antagonism. However, we cannot find ourselves at ease with Negri and Hardt's explanation. We have seen that the immaterial production of ideas and knowledge is an aspect of capital's power to subsume our labour – that is, an aspect of the power of the bourgeoisie over the working class. What we want to explore now is the subjective side of this subsumption, i.e. how antagonism arises.

4.2 The ontological inversion

Marx's *Capital* is an account, chapter by chapter, of how capital as value valorising itself implies the deprivation of labour from its organisational, creative, knowledgeable sides.⁵⁹ Paradoxically, capital is produced by us but in this production we become its appendage; it acquires our human powers and we lose them, becoming subjects of its power. This inversion of powers, of who is the subject of the production of human activity and who is the object, who is the ruler and the ruled, has been called the 'ontological inversion'.

The solution of this inversion only lies in a real subversion of the present system of production. It is not a question of re-interpreting reality. It is not a question of observing that since value is actually created by the working class then the working class must be a productive and creative subject. It is not a question of simply observing that 'capital needs labour but labour does not need capital', so we must be somehow the initiators of production and innovation – even if we are not really aware of it. In fact capital is real

alienation and real power. Although capital needs labour, this is labour done in an historically specific form; a labour that is really subsumed and really deprived of knowledge, initiative and creativity. We will see that forgetting this important point is forgetting the very dynamics that makes the subversion of capitalism a possible reality.

4.3 Who shares the mind of capital?

As capital does not go to the market with its own legs but it needs the capitalist to circulate, capital is incapable of thinking, designing, organising, as well: it needs man for this. This, at the beginning, was the capitalist himself: Wedgwood for example.

But Wedgwood's creativity is the creativity of capital. This creativity is free insofar it has introjected the needs of capital, the objective constraints of the market and its laws. Indeed, what is thinkable is what is objectively realisable within a landscape of undeniable, objective constraints: the finances available, the reality of market demand, the availability (in terms of cost!) of means, materials, labourers; the reasonability (in terms of cost!) of the design itself; the state of competition, etc.

This is an aspect of bourgeois 'alienation': the need to adhere to an 'objective' reality external to the individual. Bourgeois alienation may be experienced as a burden, but all bourgeois stop whining in front of the wealth and social power this alienation also means for them.

With the development of capitalism, the capitalist farmed out creative and organisational work to special categories of privileged workers: managers and professionals, who worked within their productive project or as independent professionals.

Today the state finances a large part of scientific research and the development of knowledge. Modern science could only develop through the influx of state funds because the capital needed for the expansion of modern scientific research would be too big for any reasonable capitalist venture. Also IT developed thanks to generous US state finance.⁶⁰ Within these fields, the socialisation of labour, one aspect of capitalist production, was encouraged, while the fetters of private property were overridden by public finance. Sadly, this is not the norm but the exception that confirms a fundamental norm in capitalism.

The professionals, the top designer, the researcher share the effects of formal alienation with Wedgwood. They have to face competition. In a world based on exchange they have to produce for strangers who do not share a project or common interests with them.⁶¹ But they normally feel fulfilled by their practice. They can see their work as creative and, as far as they identify themselves with the 'objective' requirements of their profession, autonomous. They can praise the present world as a world of 'creativity' and 'intelligence' because they do contribute to the creativity and intelligence of capital.

However, unlike the bourgeois, for the waged creative and professional workers their privileged position in society

capital itself see, Gilles Dauvé, 'To Work or not to Work? Is That the Question?', <http://tropolon0.free.fr/biblio/lovlabuk/>

⁵⁹ Capitalist subsumption of labour has consequences for society as a whole, inside and outside the workplace, so that many activities which are done outside production are reshaped according to the pace and character of productive labour. For a discussion of how housework is affected by capitalist production, see 'The Arcane of Productive Reproduction' in *Aufheben* # 13, 2005, pp. 20-36.

⁶⁰ In the context of the military Star Wars project. See our article on China in this issue.

⁶¹ For the alienation of the university professor, see Harry Cleaver 'From Operaismo to Autonomist Marxism: A Response' <http://www.eco.utexas.edu/~hmcleave/AufhebenResponse2.pdf>.

is not due to the power of their own capital at all: they are unable to live without selling their (very dear) labour power to capital, or without a wage or grant from the state. The recent retreat of social democracy has implied a retreat of the state from financing academia and the sciences. Squeezed by the lack of financial perspective, some of the intelligentsia have moved to radical anti-capitalism. This is indeed a 'new' era, when precisely the 'new' gospel by radical academics Negri and Hardt can sell lots of books.

For the unprivileged, large mass of donkey workers who do not create but execute, there is another story.

4.4 The subjective side of real subsumption

The (either material or immaterial!) donkey worker who works under the command of blueprints, organisational IT frameworks, designs, etc. does not share the mind of capital or any creative 'pleasure' from it. In the ontological inversion, the information and knowledge of capital means the opposite for the worker.

There is a good example from recent news. By June this year transport and delivery workers in warehouses across Britain had started complaining of having to wear computers on their wrists, arms and fingers which instructed them in their daily work. As GMB spokesman Paul Campbell said: 'We are having reports of people walking out of their jobs after a few days work, in some cases just a few hours. They are all saying that they don't like the job because they have no input. They just follow a computer's instruction.'⁶² Informationalisation has not made delivery more intelligent or autonomous, but more brain-numbing and controlled.

As clever computerised systems are sold as gadgets for personal consumption, society at large tends to become less intelligent too! Try a trip in a car which has the new-fangled satellite-driven pilot in it, and experience the feel of divesting yourself of your geographical and orientation skills!

This ontological inversion is one with a subjective experience of boredom and pain.⁶³ Morris denounced the new pain created by the expropriation of creativity and autonomy from craft work with manufacture, i.e. the beginning of capitalist production. Since the dawn of capitalism many people experienced hatred of design. For example, the typographer Koch, whose ideas were close to Morris's, fantasised about, and experimented with, a 'design-less typography' as an unconscious reaction to the sufferance of the present. In the 'new' era of immaterial production, this same pain has compelled many British transport workers to leave their job after just a few hours of computer-commanded work!

4.5 Hatred as contradiction of capital

With *Autonomia* and Mario Tronti in particular, the concrete experience of labour under subsumption was seen as the trigger of antagonism. For Tronti the labour which is commanded and made meaningless by real subsumption implies the disaffection of the worker from their daily

activity: it implies *hatred*. This process was associated by Tronti with the fact that labour under capitalism is abstract labour, the source of value – capital as self-valorising capital needs then to rationalise and deskill concrete labour against our resistance in order to extract surplus value.⁶⁴

Hatred is then the subjective aspect of the objective existence of capital as self-valorising value – and of a real subsumption which has to be reimposed continually and is continually challenged because it is incompatible with a fulfilling life. Hatred is the inherent *unacceptability* of the present system of production and the present division of labour. Hatred is the feel-bad factor in our optimistic view of capital as an unsolvable contradiction.

4.6 Negri and Hardt's conception of immaterial labour as 'abstract labour' and the contradictions of capital

Negri and Hardt cannot deny the undeniable. For example, in *Empire* they cannot deny that IT is a means to control and deskill labour in the new service sector.⁶⁵ The deskilling based on IT, they add, turns all concrete labours into 'abstract labour', a homogenised jelly of manipulations of symbols (*Empire*, p. 292). Are we perhaps unfair to Negri and Hardt, if they seem to repeat word by word what we have just said?

No. In fact, if we carry on reading, we find a twist. Through the practice of computer work, they continue, all labour becomes an undifferentiated jelly of the same activity: an abstract 'manipulation of [computer] symbols'. This, they conclude, is the concept of 'abstract labour'.

Although Negri and Hardt seem to consider deskilling and real subsumption, they focus their attention on the material aspects of labour, the bare manipulation of symbols. The social context of this manipulation (for whom, why, under what plans, etc.) becomes inessential. If we all press computer keys when we work, immaterial labour becomes the same jelly of abstract activity, i.e. the same for Professor Negri as it is for everybody else. The theory of immaterial labour then becomes universal and dismisses the distinction about who shares the mind of capital and who executes.

Hatred, which hardly applies to the top designer or for Professor Negri, has no place in this theory. If hatred has no place here, the contradiction of capital as its unacceptability has no place either. Where is then the main contradiction of capital for Negri and Hardt? It arises, they explain, not from the inherent unacceptability of the present production, but from its inherent positivity. Antagonism arises, they explain, from our will to develop the present system of production and franchise it from the capitalist.

This is indeed a theory which does not see the need for a rupture, which is a rupture with a convenient division of labour. No surprise that for Negri and his followers a struggle for 'the subversive reintegration of execution and

⁶² David Hencke, 'Firms Tag Workers to Improve Efficiency', *The Guardian*, June 7, 2005.

⁶³ We deliberately used Autonomist De Angelis's words 'boredom and pain' that he uses to describe the effects of real subsumption in 'Beyond the Technological and the Social Paradigms', *Capital and Class* 57, Autumn 1995, pp. 107-134.

⁶⁴ See Mario Tronti, 'Social Capital', <http://www.geocities.com/cordobakaf>. Following this initial suggestion, other Autonomist Marxist authors, such as Massimo De Angelis, later adopted the concept of 'abstract labour' for the concrete 'boring and painful' experience of labour under real subsumption (in De Angelis, 'Beyond the Technological'). Although we do not agree with such use of the concept of 'abstract labour', we agree with the Autonomist understanding of the basis for antagonism.

⁶⁵ See also Witheford, 'Autonomist Marxism', p. 92.

conception' is exemplified by the struggles of IT workers for the right of self-management of their very skilled labour (Witthof, 'Autonomist Marxism', p. 104). No surprise that for Negri and Hardt what counts for our anti-capitalist struggles is not a subversion of the present division of labour but the banal question of who controls the results of labour (information, the GM code, 'communicational resources', etc.) as it is divided now!

4.7 An outdated theory?

Negri and Hardt will say, no doubt, that all that we have said so far, in our analysis of antagonism and hatred based on the real subsumption of labour is outdated. Today, they will say, immaterial production has broken out with labour confined in the workplace and is done in the street, within unspecified 'communities', by anti-capitalist protesters, even tribes on small islands in the Pacific Ocean, by consumers who collectively help create the meanings of their commodity world, etc.⁶⁶ The list is never-ending.

Today, then, there is no such thing as real subsumption anymore. As we have already said, for Negri and Hardt today society at large organises our communication and co-operation, while capital only overlaps on them and by overlapping it 'controls, commands and channels our actions'.⁶⁷

Another reason why we are wrong, and Marxism is outdated, Negri and Hardt will say, is because not only is production delocalised, but the product exceeds the commodity. What's this 'excess'? As immaterial workers in the service sector, we may make friends in our immaterial job with the customers, above all if we smile a lot: this is an 'excess'. As migrants, our first language and our links with our relatives are excesses too. As unemployed, our skill in making houses of cards is an excess too. And in general, as workers and poor, we produce lots of excesses in the forms of *needs and desires* (*Multitude*, p. 148).⁶⁸

Is this true - and, consequently, is our theory outdated? In fact all the above is true, but has always been true in capitalism and has never denied the dynamics of capital and real subsumption. Capitalist production has always thrived on given social and cultural backgrounds. The very concept of use value has always been rooted in society and its culture.⁶⁹

⁶⁶ However, to patch up the gap between their theory and reality, Negri and Hardt add: 'the impersonal rule of capital extends throughout society... the places of exploitation, by contrast, are always determinate and concrete.' (*Multitude*, p. 100-101) A theory that says one thing and its opposite is the best theory ever.

⁶⁷ Negri, *Politics of Subversion*, p. 116 cited in Witthof, 'Autonomist Marxism', p. 101. Negri safely adds that capital even 'anticipates' our production 'in common' (*Politics of Subversion*, p. 116). This genially explains why this 'production in common' is never actually observable in reality!

⁶⁸ On how productive the 'poor' is see also, *Empire*, p. 158. In the concept of 'excess' there is a moment of truth for the skilled creative worker. This excess has a value today and can make the difference between who guides and controls a struggle and who does not tomorrow. We cannot see how, instead, the McDonald worker's skills in showing servile niceness all the time gives to them 'equal opportunities of struggle'.

⁶⁹ Marx mentioned in his times the human (i.e. social) meaning of food in opposition to something that serves only to fill the stomach.

If the above is true, however, Negri and Hardt make a logical leap and claim that this background for capitalist production, today, is production in its own rights, production *tout court*:

Inssofar as life tends to be completely invested by acts of production and reproduction, social life itself becomes a productive machine. (*Multitude*, p. 148)

In this interpretation of production which incorporates non-production, then all can be production.

We do not need to waste more words on this distortion of reality. Negri and Hardt's logical leap which conflates all activity with production has already been criticised by Caffentzis who stressed that there is a difference between labour, as a specific activity, and any odd activity.⁷⁰

We also do not need to waste more words to convince the reader that real subsumption is still a reality today - everyone can experience it. As Gilles Dauvé says:

Managers know their Marx better than Toni Negri: they keep tracing and measuring productive places and moments to try and rationalise them even more. They even locate and develop "profit centres" within the company. Work is not diffuse. It is separated from the rest ('To Work or Not to Work?')

Only, what we are concerned with here, is the ideological conclusions of a theory of 'general intellect'. First of all, this theory seems democratic and egalitarian but hides a sneaking contentment for the present. In a society where all is productive, there is no distinction between the owners of the means of production and the proletariat. There are no classes, only one large class of productive producers, some of goods and some of needs. Second, this theory seems to flatter us about our creative and knowledgeable inputs into society, but hides contentment for a situation where in reality we have no input. We may work 43 hours a week in a call centre, but Negri and Hardt give us a word of consolation: in the information we employ, in the spreadsheet we use, there is a drop of our socially-shared creativity - we are the co-creators of it. What we need is only to become aware of this.

In conclusion, we are confident that the questions we put forward are not outdated! There is no easy escape for Negri and Hardt from these questions into a dream world of happy general intellectual and excessive production.

5. Immaterial labour and the heart of capital

We have focused so far on immaterial production as the production of knowledge and ideas. Another, central, aspect of immaterial production as defined by Negri and Hardt is the production of affects, communication and cooperation. In this section we address Negri and Hardt's view that this production, which is capitalist production, is 'elevated to the level of human relations' and criticise their inability to understand the ontological inversion that turns affects and

See, 'Economic and Philosophical Manuscripts (1844)' in *Early Writings*, Pelican, London 1975, p. 353.

⁷⁰ George Caffentzis, 'Immeasurable Value? An Essay on Marx's Legacy', *The Commoner*, 10, p. 97, 1997. And by us in *Aufheben* # 13.

communication into abstract powers of capital and into our disempowerment.

5.1. 'Immaterial production of communication and affects and subversion

Capital and affects, it seems, do not go along too well.

For Negri and Hardt capital was simply forced to incorporate affects and other subjective powers like communication and cooperation into production (*Empire*, pp. 275-6). Without the struggles of the '60s and '70s, they say, capital would have been content with conveyor belts and mechanical production. In fact, we are made to believe, by incorporating communication and affects in its production, capital incorporated its own gravediggers: what is subjective and human is inherently subversive and anti-capitalist by nature.

Hardt concedes that, in incorporating affects and human relations in production, capital 'contaminated' them. In his article 'Affective Labour' we read:

In a first moment in the computerisation of industry... one might say that... human relations... have been instrumentalised.⁷¹

But, this is not the end of the story. Quite the contrary, capitalist production has been humanised in turn, by this subsumption of human faculties:

Through a reciprocal process... production has become communicative, affective, de-instrumentalised and elevated to the level of human relations. ('Affective Labour')

Negri and Hardt seem to propose something refreshing. From the Frankfurt School to Foucault, we have read plenty of pessimistic literature about how we are helplessly de-humanised by mass production or by the whole construction of power. Adorno endlessly moaned that capitalist production creates false ideology through a specific production of mass culture. Foucault, perhaps even more pessimistically, observed that our only subjectivity is inevitably the one created by power.

Negri and Hardt agree with Foucault that present production creates our collective subjectivity and society, and this happens, they add, because present production is the production of affects, affective labour. As Hardt writes:

Affective labour is itself and directly the constitution of communities and collective subjectivities... the processes whereby our labouring practices produce collective subjectivities... society itself. ('Affective Labour')

But, they add, this production is not negative, it is positive. It makes society 'more affective' and 'more communicative'. And, since this is the result of immaterial labour, it is at odds with capital itself, it is human and potentially subversive. Negri and Hardt invert the pessimism of grumpy Foucault and Adorno into a euphoric adherence to the present.

Do we want to share this euphoria? Let us consider deeply the issue of communicative and affective labour, and what it means for us.

5.2. Immaterial production of communication and affects and real subsumption

The first question we ask is what happens to the nature of certain activities which involve primarily communications and affects (e.g. care, communication and entertainment) when they become productive for capital. There is only one answer. The integration of such activities as profit-making activities imply real subsumption and rationalisation.

As Taylor did with material production, new studies now analyse human cooperation in terms of abstract principles, organisational schemes amenable to standardisation and automation. As the machine for manual work the new technology of communication allows for standardisation, rationalisation and control of communication.⁷² And, importantly, the imposition of efficiency in cost and time means the imposition of factory pace on affective activities such as hospital care.

5.3. Immaterial production of communication and affects and the ontological inversion

If we now consider the effect of this change for the worker, we will not be surprised to discover that we will find a similar pattern as the one seen in Section 4 for manufacture: de-humanisation.

But is there a difference between the subsumption of craft work and the more recent subsumption of other 'communicative and affective' activities? Negri and Hardt seem to point at the fact that these latter have something special in their original, natural immateriality, and that, unlike craft work, their subsumption must have a reverse humanising effect on production.

In fact these arguments seem to contain a basically wrong assumption. Thinking that nursing has something more specially social and human with respect to, for example, pot making and that, consequently, its subsumption implies something new and different for capitalist production, means to fall into an ideological trap. *It means to take the established result of capitalist production on human activity as something natural.*

In fact pot making, as all human activities including care, was fully social, communicative and affective before its subsumption by capital. It involved imagination and problem solving, a socially-shared conception of aesthetics and utility and a social relation between the creator and the user. Capital took over all these human powers and, truly, 'for a reciprocal process' (which we call the ontological inversion!) assumed them as its powers. This 'reciprocal process' and humanisation of capital is not, however, a silver lining of real subsumption but a curse for us, since it is one with our real experience of de-humanisation.

Going back to the subsumption of service and communication, we wonder if we are not in the presence of some more of this incorporation and subsumption of human activity and powers.

⁷² In the '70s and '80s many, following Braverman, focused their analysis of IT as being the new machine (see Nick Witheford, 'Autonomist Marxism' and our review of *CyberMarx* in this issue).

⁷¹ In *Makeworlds*, <http://www.makeworlds.org/node/60>.

For example, the activity of 'spreading information' was practised in the courtyards and village squares and based on common understanding and experience. Taken over by capital, it becomes the task of helping strangers in exchange for a wage - first from 'help desks' in the same town; later, by phone. Eventually, from a distant country. Automation comes next: robots now phone us or answer our phone calls; web sites, i.e. automated interactive systems replace our interaction effectively. Meanwhile the content of information is made increasingly alien to both the ones who receive it and those who convey it.

This process increasingly distances the communicators concretely, in 'affects' as well as in life and struggle. People from two sides of a desk can still find common grounds of understanding and struggle, for example through sharing social milieus outside alienating customer relations. *Brighton Against Benefit Cuts* benefited from the wealth of Brighton life: this created friendship and understanding and allowed for the build-up of solidarity among the more militant dole workers and the unemployed in a common struggle against dole privatisation. But the possibility of building solidarity on common grounds is more difficult the more people are delocalised and estranged.⁷³

In the sector of entertainment, the manipulation of affects must be able to leave the producer and be consumed by strangers. This transforms collective events of the past (fairs, storytelling etc.) which involved complex interplay of full human relations, into the consumption of commodities.

The experience of affects in care is de-humanised too. For example, the direct relation of the village doctor and his patients, or women neighbours in midwifery roles and new mothers, etc. gets increasingly standardised by privatisation. The nurse who deals with patients in a conveyor-belt system cannot know them personally: his 'manipulation of affects' is necessarily depersonalised. A surgery under economic pressure now tends to rotate patients among doctors so that even the flimsy relation between the individual patient and 'his' doctor is sacrificed on the altar of economic efficiency. Eventually, hospital consultants will be asked to interact with their patients through TV monitors on wheels.

In front of this systematic denial of communication and socialisation inherent in a profit-making process, and in front of the parallel build-up of 'communicative' and 'affective' powers of capital, Negri and Hardt do not flinch. It does not matter if our contact is automated or virtual, Hardt says, 'not for that reason is [it] any less real' ('Affective Labour'). It does not matter if it is very difficult today to realise the conditions for communication and solidarity among individuals or groups in struggle: this is communication anyway - only it is a 'new' kind of communication, *vertical instead of horizontal*.⁷⁴

The question that immediately comes to our mind is: in a historical moment when most of us have to keep our heads down in our 'flexible' jobs as call centre workers, waiters, carers, bank employees, receptionists, etc., how subversive is

it to tell us that the alienated and alienating 'communication' and 'affects' we produce are nonetheless real?

5.4. Post-Fordism and the ontological inversion

The clearest example of how Negri and Hardt turn a blind eye to the ontological inversion of communication and affects in immaterial production is their enthusiastic approach to post-Fordist methods of production. Post-Fordism is welcomed by Negri and Hardt as an aspect of immaterial production, being based on exchange of information and cooperation between interrelated work units - thus it demands and stimulates communicativity in the worker.

In fact, as we argued earlier, post-Fordism aimed to fragment the large-scale factory production process. This fragmentation needs a stress on 'communication' at a managerial level however, since the company finds itself with the need to sow the bits of production back together. Of course the Japanese-oriented business brochures of the '80s made a big fuss about 'communication' and 'synergies'. They had to.

But, as it was more clear to the workers themselves than to Negri and Hardt, the breakdown of production into teams increased managerial-controlled communication to the extent that it reduced the possibility for uncontrolled, antagonistic, communication across the factory.

For example in Longbridge, where as we have said earlier Rover production was restructured, the separation of work into units increased face-to-face 'communication' between the workers and their own team (group) leader while curtailing the mobility of the shop stewards (Pugliano, 'Restructuring of Work', pp. 39-41).⁷⁵ Rather than encouraging new alternative, anti-capitalist communications, simply and sadly, this system individualised the workers and encouraged them to look to their leaders for the solutions to their grudges. At the same time it discouraged them to look for collective and antagonistic solutions, even if in the mild form of union disputes. This is another example of ontological inversion, whereby the development and increase of capital's 'communication' is realised through the denial of ours.⁷⁶

5.5. Immaterial production of networks of social relations and alternative networks

Besides the production of communication and affects, the 'networks' of social relations that results as a by-product of 'serving with a smile' cannot but harmonise with capital.

For example, the social niceness produced between hostesses and aeroplane passengers is an ephemeral connection founded on money transaction. The real nature of this relation appears in full when it is broken down during a strike - then the passengers affectively turn against the strikers, having lost their value for money. If we accept that a

⁷³ The call centre worker is in the front line in a relation between clients and their providers of service, and often take the brunt for this alienating situation. See Amelia Gentleman, 'Indian Call Staff Quit Over Abuse on the Line' *The Observer*, 28 May 2005. So much for the... creation of affects.

⁷⁴ Paraphrased from *Empire*, p. 55.

⁷⁵ Pugliano notices that also in the FIAT factory in Melfi the establishment of increased inter-personal communication between workers and their leaders or other persons in key roles in the factory reduced oppositional activity to the minimum (Pugliano, 'Restructuring of Work', p. 47).

⁷⁶ As Mouvement Communiste notice in Fiat Melfi, the introduction of Toyotism, with its heavy shifts, destroyed all 'possibilities of any social life outside the factory' for the workers. So much for the creation of social relations...

negative affect is an affect, it is worth while to paraphrase Hardt and say that consumers' resentment *is by no means less real*. Indeed, social relations of bourgeois exchange are real and imply real oppression and repression.

Networks of social relations alternative to those of 'democratic exchange' can instead emerge in the very moment in which we deny capitalist social relations. This can even be a humble strike or a street protest limited in time and aims. Or it may be something even humbler and more limited. When we steal time from our 'affective' job in our service office and hang about in the corridor with our colleagues, this is the moment in which we build up affections beyond work relations, affections that can be a basis for future solidarity.

Only if we can build up and rely on direct social relations alternative to those of exchange can we concretely dispose of capitalist relations. The more we break away from capital, the more we defetishise its power, the more important these alternative relations become for our survival and victory. The revolution, the final triumph and abolition of the proletariat will only be possible on the basis of social relations consciously built through struggle - surely not on the basis of our smiles to passengers or hamburger eaters.⁷⁷

5.6. How subversive is immaterial production and what does this actually mean?

Perhaps, again, we have considered the wrong example: i.e. that of a 'traditional' strike - or a 'traditional' micro-struggle such as hanging-out in the corridor with our colleagues.

In the famous confrontation between Toni Negri and Socialist Workers Party intellectual, Alex Callinicos, at the Paris European Social Forum in 2003, Callinicos criticised Negri for allegedly not including 'strikers' in the 'multitude' and for having thus abandoned a working class perspective. Negri easily rebuffed these allegations: he never excluded strikers, he said, and he always speaks about the antagonistic class.⁷⁸ However, what we read about immaterial labour poses serious doubts about what, precisely, Negri's view of class struggle is.

Indeed, for a theory which sees immaterial production as anti-capitalist in itself, the real, effective struggle cannot be found in refusing and disrupting immaterial production.⁷⁹ The 'new' era thus opens up, in this view, possibilities for 'new' positive and exciting struggles that create and develop immaterial production. For many of us this idea does not make much sense. But it makes really good sense for the radical academic or the radical top designer. They can consider struggles based on their writing and designing. They can use their skills against capital, and, at the same

time improve their CV and 'self-valorise' their privileged labour power.⁸⁰

Although Callinicos made the mistake of not acknowledging Negri's subtleties seriously enough, in his allegations there is a moment of truth. It is true that Negri still speaks about the 'antagonistic' class, but he has emptied this concept of meaning. For him class is simply a cultural belonging, a re-groupment created by (any) struggle. When anybody can be 'the class', including top designer Oliviero Toscani, the concept of class becomes meaningless. Thus Negri's world of the multitude becomes in practice a classless society. This is why Negri can find a basis for academic collaboration, with post-modernists who have, more openly (and honestly) just disowned a class perspective.⁸¹

In the next and last subsection we will show how Negri and Hardt, as new ideologues for the 'new' era, manage to present their particularistic theory as universal.

5.7. Immaterial production as the apology for the ontological inversion

Like all bourgeois theories, a theory that can only reflect the perspective of a privileged part of society must nevertheless present itself as universal. The easiest way of achieving universality is to speak about unquestionably and universally good things. Like what? Like capital itself.

Capital can be seen as an unquestionably and universally good thing indeed. The secret of the bourgeois apologist of capital is in fact to exploit the ontological inversion. Does capital deny our creativity, affections, communication? Never mind. The other side of this coin is a real production of the same human powers, but now assumed by capital as its own, and appearing to us as 'creativity', 'affections' or 'communication' of a vaguely defined 'society' (or 'new' era). The fact that none of them actually belongs to the McDonald's waiter can be then swiftly dismissed as a contingent disfunction of this unquestionably positive society (or 'new' era). When Negri and Hardt talk about 'creativity', 'affections' or 'communication' we cannot avoid thinking of the old bourgeois apology for capital as 'progress', 'culture' or 'civilisation'. This old apology is now re-proposed in a 'new' Toyotaistic and cybernetic salad dressing.

Mitchell Cohen has already noticed that Negri and Hardt tend to attribute to us the powers and dynamics of capital itself. Commenting on their enthusiasm for the freedom of circulation of migrants, he says, lucidly:

Poor migrants in our globalising world don't pursue "continuous movement" as an end in itself; they seek places in which to live decent and secure lives. *Only capital pursuing profits can live in restless movement.* (Well, perhaps cosmopolitan intellectuals can too when

⁷⁷ We notice that the recent BA strike in support of Gate Gourmet workers (a catering outsource of BA) was based on 'networks' of friendship and family relations created outside work. Importantly, those who showed solidarity with the Gate Gourmet workers were the 'material' baggage handlers and not the 'immaterial' hostesses and stewards.

⁷⁸ For the debate, see e.g., J. Walker, 'ESF: Another Venue is Possible: Negri vs. Callinicos', <http://www.indymedia.org.uk/en/2003/11/280632.html>.

⁷⁹ See our review of *CyberMarx* in this issue for examples of 'effective' forms of struggles suggested to us by the Negrian Nick Witheford.

⁸⁰ Radical-chic tutors of design encourage young, would-be graphic designers to have a few anti-capitalist ad-busting works in their portfolio.

⁸¹ Lazzarato hails the end of the class system 'as a model of action and subjectivation' (Maurizio Lazzarato, 'What Possibilities for Action Exist Today in the Public Sphere?', <http://www.nettime.org/Lists-Archives/nettime-1-9908/msg00067.html>).

they chase conferences and international celebrity. But they also want – and need – the security of tenure).⁸²

The broadness and abstractedness of concepts such as 'communication' and 'affects' has also another interesting function. It serves Negri and Hardt in the creation of a cheap Theory of Everything in One Book that can explain any facts ever observed and incorporate anything ever written. If this seems too easy, however, Negri and Hardt pay a price. The price is the appalling meaningfulness of a theory that can say only something too general or too abstract.⁸³

Reading Negri and Hardt, we find lots of abstract truths. Our labour is so communicative and affective today. Of course this is true. All we can possibly do or we could have ever done since we came down from the trees can be categorised as communication or affections! Our production creates social relations. Of course this is true. All production, as an aspect of our social relations, has always implied the reproduction of social relations! Today language is fundamental for production because 'we could not interact... in our daily lives if languages... were not common' (*Multitude*, p. 188). Of course this is true too and has always been. Does all this prove Negri and Hardt's theory of everything is true, or it is only the case that we are in front of trans-historical banalities?

Conclusion: a bad string makes a bad necklace

New old categories for the 'new' era

In the course of this article we have addressed the inadequacy of Negri and Hardt's concepts of material and immaterial labour for the understanding of capitalism and its contradictions – the string of their fascinating necklace.

Negri and Hardt's categories of material and immaterial labour replace the old categories of manual and mental labour of traditional Marxist times.⁸⁴ The latter were intended to conceptualise the 'manual' as a potentially revolutionary agent of class struggle. It is important to notice that the essential distinction between those who create and those who execute within production – thus a distinction in roles and privileges – became conflated with 'mental' and 'manual' work, i.e. the type of work done.

The increasing investment of capital into what Negri and Hardt call immaterial production and the consequent increasing rationalisation of mental labour has now put this categorisation into question. 'Mental' labour now cuts across the lines of privileges and proletarianisation and includes, side by side, the call centre worker and the top designer.

Having thus lost its original rationale, it is now a bad category.

Negri and Hardt's 'new' category of 'immaterial' labour, however, does not seem to be better than this. Like 'mental labour', we have seen that immaterial labour includes, side by side, the call centre worker and the top designer too. Using the wrong category, Negri and Hardt give themselves a hard time in trying to convince us why this category correctly encircles the potentially subversive 'new subject': why the migrant, although he does manual work, is immaterial, and why the top designer, who is included in the category, is a revolutionary subject.

The problem of bad categories can be solved either by looking for more appropriate categories – or by making the bad category elastic enough to patch up all its shortcomings. Negri and Hardt choose the second solution. The old concept of mental labour excluded manual labour, thus it was far too rigid. Negri and Hardt define the new concept, immaterial labour, in a more comprehensive way: as any possible human activity – either manual or mental, either done inside or outside the workplace – that produces ideas, communication or affections, either as product or a by-product. With this definition, immaterial labour can include anything. Indeed, what human activity is not an expenditure of thoughts, affects or an act of communication after all? Even the production of nothing can be seen as production of something: needs and desires, which are indeed human forms of affects and communication.

The convenient elasticity⁸⁵ of the category of 'immaterial' labour allows Negri and Hardt to sneak into and out of the 'subject' of immaterial labour the 'right'/'wrong' groups according to the current rating of sympathy scored in the liberal-leftist world. Thus black 'communities', tribes in the Pacific, housewives, students, Indian farmers fighting against the genetic industry, protesters involved in the anti-capitalist movement, workers in flexible jobs, economic migrants, the radical student and the academic like Negri are all in.⁸⁶

Being amenable to include what is 'cool' and exclude what is 'dated', the new categories for the 'new' era have the power to please and flatter a large range of readers. Their elasticity is good for 'explaining' anything as effects or acts of immaterial production.

This is the secret behind the intellectual universality of Negri and Hardt. When anything can be described as the creation of 'communication' or 'affects'; when anything, even the production of nothing at all (sorry: needs), can be considered as 'production', we have found the Holy Grail of the theorist, the magic key for the Theory of Everything capable of accommodating everything and in the end explaining nothing.

A new fetishism of production for the 'new' era

By inheriting the traditional Marxist categorisation, although having turned them into stretchable rubber, Negri and Hardt uncritically inherit assumptions and values which were implicit in their use.

⁸² In 'An Empire of Cant, Hardt, Negri and Postmodern Political Theory', *Dissonance*, Issue 1, <http://www.messmedia.net/dissonance/index.htm>

⁸³ In 'Alma Venus' Negri avoids spelling out how he conceives the transition to communism by speaking rather of 'leaning further beyond the edge of being'. This pure abstractedness is, we suspect, convenient (http://www.messmedia.net/dissonance/issues/issue01/issue01_4.htm). Let us notice that all human thought is based on abstractions. Bourgeois thought, however, uses abstract concepts as *starting points*, to explain reality in separation from its context.

⁸⁴ To be fair to traditional Marxism, we should specify that Negri and Hardt seem to have absorbed and re-elaborated *vulgar* Marxism.

⁸⁵ Sorry: flexibility?

⁸⁶ The most popular social group for the intellectual world is the intellectual world. This is immaterial by default.

First of all, they inherit the tendency to attribute some form of moral value to the role of 'producer' in capitalism. For the traditional Marxist there was a moral value to be a productive manual worker - for Negri and Hardt, turning the scale of moralistic 'value' upside down, there is a moral value in being a productive immaterial worker. Negri and Hardt try very hard to convince the reader that tribes of the Pacific islands are productive (of herbal remedies) and that those excluded from the labour market are productive (of needs and desires). For people like us who do not share this same productivist moralism (in either its straight or inverted form) this is just a waste of ink.⁸⁷ We noticed that this construction serves, no doubt, an ideological agenda. Behind the appearance to reclaim moral 'value' for the dispossessed it feeds us in fact with a petty bourgeois vision of a society of equally worthy 'producers': some of valuable pieces of design, some of needs and desires.

Together with uncritical productivism, Negri and Hardt inherit an uncritical fetishism of the productive forces - again, turned upside down. The traditional Marxist trusts the development of (industrial) forces of production as neutral and potentially fit for future self-management; Negri and Hardt trust the development of (immaterial) forces of production as inherently subversive and potentially fit for self-management. But now the machine is substituted by a loose entanglement of networks of social relations.

We have stressed that like traditional Marxism and like much bourgeois thought, Negri and Hardt cannot see our social relations, i.e. capital, behind the apparent objectivity of production. This blindness reaches the climax when they mistake the apparent autonomy of production from the individual human, which is evidence of its nature as capital, as evidence of its autonomy from capital!

In fact Negri and Hardt draw a curtain of simplistic enthusiasm over reality. By addressing immaterial production overlook what the existence of production of pure ideas and communicational frameworks actually implies: the separation of the creative side from the executive side of human activity; real subsumption of labour; the daily boredom and pain lived by the worker who is engaged in activity that has been subsumed. And crucially it is one with the existence of privileged producers of designs, IT frameworks and all the apparatus of control over the labour of others. The fact that members of society who partake of such privileges cannot see this problem is perhaps not a coincidence.

Consistent with their uncritical acceptance of the present, Negri and Hardt do not see the contradictions of capitalism in its inhumanity and unacceptability, in its denial of creativity, intelligence or affections for us, and in our hatred. Instead, for them the main contradiction of capitalism is in the humanity, creativity and affections that immaterial production develops; in the inherent goodness of the present conditions, which we should not resist but enhance.

A new paleo-Marxism for the 'new' era

But let us be fair to Negri and Hardt. They do not replicate old Marxism: theirs is a 'new' old Marxism for a

'new' era. It is a vulgar Marxism turned upside down, which inverts the 'worthiness' from the manual worker to the immaterial worker. Coherently with a preference for a 'new' category for the revolutionary 'subject' which includes the middle class, this doctrine embraces perfect middle-class liberal values: the idealisation of bourgeois democracy, the dream of consumer sovereignty as the best solution for the future, the rejection of the despotism of past working class organisation, and so on.⁸⁸

Despite trying to appear to oppose old Marxism and to be new and exciting, however, Negri and Hardt's theory smells musty already! Not only because it is based on old fads such as the enthusiasm for Toyotism, already long out of fashion. But also because Negri and Hardt cannot get out of the impasse of traditional Marxism, since they share the same fundamental problems: a lack of understanding of capital as objectification of social relations and the consequent hopeless *cul-de-sac* of intending revolution as self-management of the present production.

Objectivism and subjectivism for the 'new' era

Negri and Hardt's uncritical acceptance of apparently objectivistic ideas may surprise us, since their books are full of subjectivistic assertions of Autonomist inheritance.

However, in this article we have seen that at a closer inspection Negri and Hardt's conception of subjectivity is as mistaken and confused as their conception of objectivity. We have argued that the subjectivity that Negri and Hardt celebrate as the 'multitude' is merely bourgeois consciousness, the product of our bourgeois relations of exchange. This subjectivity is precisely that which creates capital as an objectivity. Thus Negri and Hardt end up celebrating the coin of capital in both its two faces: the objectivity of immaterial production and the intriguing vitality of bourgeois subjectivity and democratic exchanges.

This shows, we said, a lack of dialectical understanding. This is why under the sheep's clothes of Negri and Hardt's shallow subjectivism we discover the wolf of uncritical objectivism, which is, ultimately, bourgeois. We cannot be too surprised then if Negri and Hardt uncritically adhere to post-Fordist technological determinism, and proclaim that the paradigms of immaterial production can shape us down to our marrows. Despite their apparent supersession of those bourgeois theories, Negri and Hardt simply adhere to them and only give them some incoherent and decorative radical twist.

The silver linings of capital: optimism and pessimism for the 'new' era

We have seen that Negri and Hardt are able to present their theory as excitingly subjectivistic. 'We' created immaterial labour in our autonomous struggle, 'we' imposed it on capital. Behind the power of capital we have got our own unofficial but effective power.

Against this view we have presented a history of capitalist development that sees restructuring and class compromises as the re-imposition of the domination of capital on labour. It won't be of any use for us to deny that

⁸⁷ In 'Must Try Harder' and 'The Arcane of Productive Reproduction', *Aufheben* # 13, we similarly criticised as moralistic the autonomist attempts to convince the world that the unwaged produce value.

⁸⁸ And Michael Hardt's acrobatics to condemn the anarchists' attacks against Starbucks' windows in Seattle - as well as his passive acceptance to call these attacks 'violence'.

we still live in capitalism as Negri and Hardt do.⁸⁹ But for us the reality of capitalism as the present domination is double-sided. The positive side of restructuring is not something that doubles its negative side but it is an aspect of it – it is the increasing unacceptability of capital, now extended more deeply to the globe. That immaterial labour has contradictions inherent in itself is true, but they are not its inherent goodness, but its potential fragility. The new weapons used by capital to subsume us make capital more crucially dependent on our compliance: within the practice of immaterial production, for example, the zero-stock policies or the volatility of smiles and sense-of-humour required in team work are rather vulnerable points. And, with the flight of capital abroad, the working class involved in (any and mainly industrial) production in the globe has

Negri and Hardt's striving to find a hidden silver lining in capitalist production is real pessimism instead. Their celebration of unquestionably good things as aspects of the present system of production is in fact the celebration of the human powers that capital has assumed, disempowering and dehumanising us in the ontological inversion. This celebration is an ideological capitulation – which we have equated with bourgeois enthusiasm for 'progress' and 'civilisation'.

A 'new' religion for a 'new' era: the doctrine of Negative Reality Inversion⁹⁰

Once the string of Negri and Hardt's necklace has been cut we can still be fascinated by the single, colourful beads. We have read about a world where we are overwhelmingly and hegemonically surrounded by immaterial production done in common, and escaping subsumption and control. No doubt many assertions in Negri and Hardt's books are exciting and consolatory. So exciting that it is hard to raise our head from their books and look around us.

In fact what is described in Negri and Hardt's work is not the world we know. It is not our daily experience of commodification and subsumption. But we are told: although what we see is the opposite, we have to believe that what we see around is simply a distortion due to capital's overlap with an otherwise free and autonomous process of production and ideal democratic exchange.

If we have to abandon Marxism, which seemed to correctly describe the present world, for a doctrine which correctly describes what we cannot actually see, we need *faith*: Negri and Hardt's doctrine is indeed a new religion for a 'new'

world. Like all religion, we are told not to look at the world and our experience, but to something beyond, which we cannot see. In fact, we can entirely apply to Negri and Hardt, one by one, Marx's words about religion:

[Negri and Hardt's work] is the general theory of this world, its encyclopaedic compendium, its logic in popular form, its spiritual *point d'honneur*, its enthusiasm, its moral sanction, its solemn complement,



increased, increasing the potentials for uncontrollable new cycles of struggle at a global level.

To stress how capitalist production is bad for our health and happiness, to stress that immaterial production is contradictory and bound to be dismantled with the revolution, this is the real answer to pessimism.

⁸⁹ 'I don't deny, it's nice to dream, but it is less nice to have hallucinations. Seeing a fallen empire and a triumphing communism where, instead, there is an aggressive capitalism... more than a beautiful utopia this seems to me, frankly, hallucination' (Maria Turchetto, 'L'Impero').

⁹⁰ We assume Alexiej Sayle and his company don't mind if we have freely adopted the concept of Negative Reality Inversion presented in 'Sick', *The Young Ones*, series 2.

and its universal basis of consolation and justification. It is the *fantastic realization* of the human essence since the *human essence* has not acquired any true reality. The struggle against [Negri and Hardt's work] is, therefore, indirectly the struggle *against that world* whose spiritual *aroma* is [the creativity and communicativity of immaterial production] (Karl Marx, *A Contribution to the Critique of Hegel's Philosophy of Right*, Introduction, italics from the original.⁹¹).

The new religion for the 'new' times, however, can present itself only as rational and based on 'facts'. Thus it can be only based on a skilful capacity to find facts as evidences of their inverse, and indeed Negri and Hardt are very skilled in this. We call this the method of Negative Reality Inversion.

Does our work get increasingly commanded through IT means? This means that the 'intelligence' of IT 'permeates' us and makes us 'more informationalised' and 'more intelligent'.

Do we interact through automated systems? This does not mean that our communication is not real, it is only virtual.

Do scientists complain about the recent increasing privatisation of research, previously supported by state funds - e.g. patenting DNA, etc.? This is evidence that production is 'increasingly' made in common.⁹²

Are services increasingly privatised and increasingly run like businesses? This means that today all production is increasingly run like services!⁹³

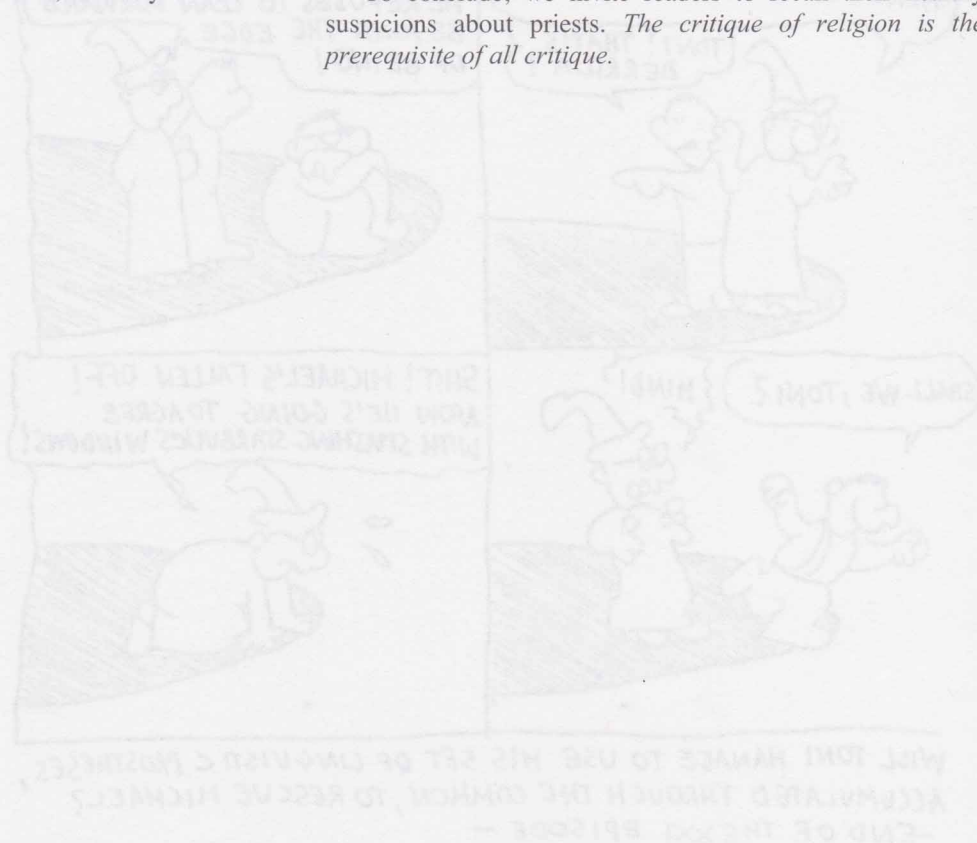
Does Toyotism imposes stricter managerial control over the communication between workers? This means that Toyotism has increased communication because the control of it is central in production.

Are recent struggles such as the Los Angeles riots, the revolt in Chiapas, etc. isolated explosions that do not communicate in an 'era' of communication and cooperation? This means that they are communicative - but it's a new communication, not horizontal but... vertical (*Empire*, p. 55).

Are the propertyless deprived of the power to produce? This means that they are productive (of needs).

Are the poor 'subjugated'? This means that they are 'powerful, always more powerful' (sic, *Empire*, p. 157).

To conclude, we invite readers to recall their healthy suspicions about priests. *The critique of religion is the prerequisite of all critique.*



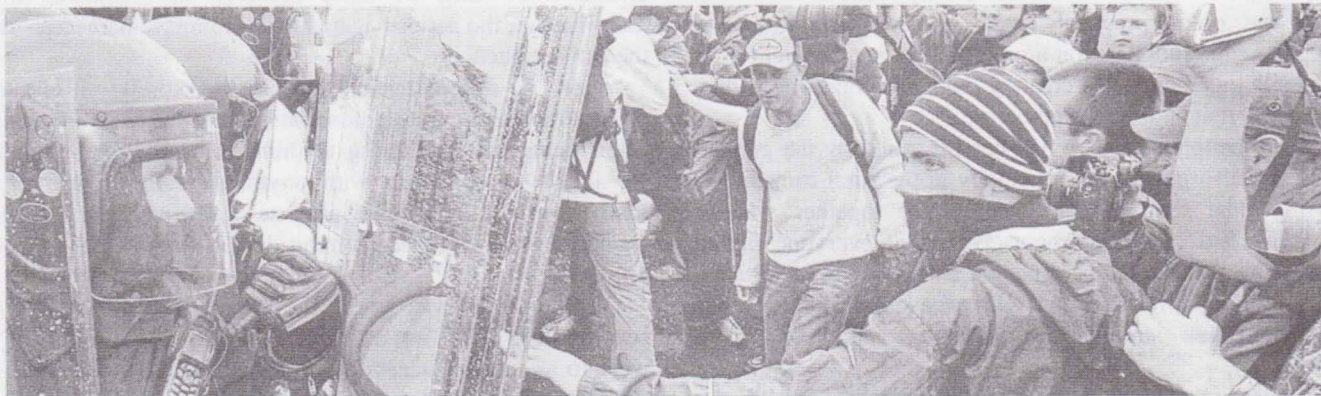
⁹² See *Multitude*, pp. 337-8 and pp. 185-6.

⁹³ The prescription to run businesses like services, popular in the business literature of the '80s, were nothing other than the re-edition of old the bourgeois ideology of the 19th century. The prescription to run production for profit like a service, or simply to understand it as a service, hides the delusion to abolish its inherent contradictions *as a production for profit* through a change of the staff's attitude towards the customer or towards themselves. Instead, the recent increasing privatisation of state-run services like the British National Health Service is a concrete change of a service into a profit-making machine. This has really concrete effects, it is not simply the ideological prescription of a change in attitude. But Negri and Hardt, who pay respect to business guru prescriptions, do not bother about these much more relevant changes in the 'new' era of increasing privatisation!

⁹¹ <http://www.marxists.org/archive/marx/works/1843/critique-hpr/intro.htm>. See also *Early Writings*, p. 244.

Intake:

Inside and outside the G8 protests



Editors' introduction

The prospect of the G8 summit taking place in Gleneagles, Scotland, in July 2005 promised perhaps the excitement of Genoa, Seattle and the other anti-capitalist mobilizations of recent years, on UK soil. But the movement seemed to lose momentum after the last Iraq war, and some of us wondered whether the protests would resemble more the last few Mayday demonstrations – with protesters held for hours in a police cordon designed to bore people into submission – rather than the exhilaration and energy of the 1999 Carnival against Capital. Moreover, most of the predicted crowds were mostly expected to gather around the call by Bob Geldof to protest peacefully to ‘send a message’ to the politicians, rather than attempt to close down the Summit. Many of us therefore stayed away, and then heard about the protests afterwards only through the newspaper coverage of apparently ritualized confrontations between ‘anarchists’ and police. However, many of our friends who went along came back feeling inspired by what happened. One of them has written an account which raises some issues of interest to us and which may be of interest to our readership. We have therefore reproduced his account below without commenting on the extent to which we agree or disagree with all the details of his claims.

Shortly after Bob Geldof called for a million people to converge in Edinburgh for the opening day of the G8 summit, Midge Ure, the co-organizer of Live 8, was asked if he was worried about the events being hijacked by anarchists. His response was that Live 8 was, in fact, hijacking the anarchists' event.¹

This is a personal account of the protests against the Gleneagles G8 Summit. It is limited, being based on my experience as someone involved mainly with the Dissent! mobilisation, the rural Stirling camp and the blockades of the Summit on the 6th.

Introduction

The demonstrations against the G8 Summit in Scotland in July 2005 had two distinct aspects, which one you saw depending largely on whether or not you were involved in the protests and actions around the Summit.

On the one hand, most of those that were involved seemed to come back inspired by what they had experienced,

firstly in mobilising for the Summit and then in Scotland. Many felt that the Summit protests had been a great success.

On the other hand, for most of the rest of the population, the majority of what they saw of the Summit protests was Bob Geldof, Live 8 and lots of people (including the Prime Minister!) wearing white wristbands. This represents a massive hijacking of an anti-summit mobilisation to turn it into effectively a pro-government rally.

These two aspects of the Summit protests seem a little contradictory and yet to properly assess what happened in Scotland we need to take both into account. The two opposing appearances of the Summit mobilisations really didn't connect with each other. Those involved in the actions and demonstrations got on and did their thing and paid little attention to the spectacle all around them. Those on the outside saw little else.

The mobilisation against the G8 Summit was an *activist* mobilisation and did not really manage to reach beyond this. The impression you have of the Summit protests probably depends on whether or not you were ‘inside’ or ‘outside’ – whether or not you were involved, or to what extent you identify as an activist.

However, we can take a critical position outside of both of these aspects, which allows us to see how both realities of

¹ ‘The First Embedded Protest’, Kay Summer and Adam Jones, Guardian, June 18th, 2005.

the protests are related. But, first we have to look at both sides of the protests to see what is true in each side of the story.

From the inside

People who were up in Scotland and who came back quite inspired by the G8 protests mostly seem to have been impressed on a practical level. The whole process of organising the mobilisation around the country brought a lot of people together. Often creating links and connections on a local level that hadn't existed before.

Many people said they had been inspired by the general level of self-organisation, especially in the rural campsite in Stirling: that thousands of people got together without hierarchy and organised themselves; that everyone pulled together to make it happen in such a short time, under such pressure. People felt empowered by the sense of feeling our own collective strength, making links and building a community.

Secondly, people seemed to be impressed with the actions. They bettered many people's expectations in that they happened at all and the police didn't totally stop them. Roads were blocked, the opening day of the Summit was disrupted, delegates were delayed and the fences surrounding the conference centre were partially torn down as people invaded the grounds of Gleneagles.

However, there were definite limitations to the actions that took place. Looking at the Dissent! programme of actions in advance, it looked like a week of actions. However in the actual event, the blockade day overshadowed everything else. None of the other actions – such as the blockade of Faslane naval base and the 'Carnival of full enjoyment' – got anything like the numbers present on the day of blockades, and many of the other actions didn't seem organised enough. This wasn't so much of problem with the blockades day as it was collaboratively organised by everyone, but with the other actions, where this was not the case, then the lack of organisation began to show more. Also, we didn't manage to sustain the pressure we created on the blockades day and so in the end the G8 protests did become about one day. Which despite some people saying that this was exactly what they didn't want to happen, was in a way perhaps an inevitable tendency.

Even the success of that one day was a bit of a surprise and it's unsure how much of that was really due to us – perhaps it was due more to the cops not really being as organised as we thought they were.

The numbers involved in actually trying to shut down or disrupt the Summit were also quite limited. Obviously, compared to the normal run of British activist politics, it was a very big event, but compared to the numbers of people that went on the Make Poverty History demonstration, it was very small numbers. The blockades could clearly have been much more effective with greater numbers of people.

However impressive the 'eco-village' camp at Stirling was in some respects, it also reflected this. It was inspiring and good for us, but didn't really connect with anyone else – its awful location (not the first choice of the organisers, it should be pointed out) certainly didn't help with this. Stuck just past an industrial estate, down a dead-end road on the outskirts of Stirling, it was not going to attract a lot of interest from those passing by.

Perhaps a lot of people got involved locally around the country and the self-organisation of the whole mobilisation may have been impressive – but both of these things were still limited to activists and attempts to reach outside of that and to link the G8 protests to the wider concerns of people in the country mostly didn't get very far. So despite significant efforts from some of those involved in organising the mobilisation, the actions against the Summit remained inside the activist ghetto.

Also, the actions against the G8 stuck pretty closely to the traditional summit-demonstration formula. Despite some effort being put into trying to think about this beforehand, we failed to come up with anything really radical and innovative. The Gleneagles protests stayed within the rather ritualised form that these summit demonstrations have taken on.

Within the activist world, the protests can be counted a success. And this is not an illusion – within those terms they were to an extent successful. But this disregards the whole other aspect of the Summit demonstrations, which changes our assessment of the protests. The overall political impact of the Summit demonstrations has to be assessed to include both aspects. And in these terms, the mobilisation seems like less of a success due to the extent of the hijacking of the mobilisation by Live 8 and the government. So, having seen how things looked from the 'inside', we need to understand how the outward appearance of the summit protests came to be.

From the outside

Since the WTO protests of 1999, there have been concerted attempts to bring some selected NGOs (Non-Governmental Organisations) into the summit meetings of the international elite in an attempt to break the alliance of NGOs and more radical activists which brought gridlock to the streets of Seattle. However, the Gleneagles G8 Summit was perhaps unique in the degree of convergence between the government hosting the Summit and setting the agenda and the NGOs supposedly lobbying or protesting against the Summit.

Most people from the outside saw only an extravaganza of backslapping between Blair, Brown, Bono, Geldof and various other music megastars. This was the other side to the Summit protests – the sudden last minute media onslaught of the Live 8 bandwagon, totally swamping all else.

The protests against the G8 Summit were in truth hijacked twice over, first by Bob Geldof and Live 8, and then, riding on the back of that, by the government.

The Make Poverty History coalition (which was responsible for the mainstream demonstrations in Scotland) is the successor to the Jubilee 2000 campaign and has essentially the same goals – increased aid to the 'Third World', debt relief and 'trade justice'. Blair and Brown have both spoken in favour of some of these goals in the past. So their support now is not totally unexpected.²

² For example, from February 2002: "British Prime Minister Tony Blair has... called for a major public campaign on the issue of tackling [Africa's] poverty... he said he wanted a campaign similar to the Jubilee 2000 one on world debt relief." See: news.bbc.co.uk/1/hi/world/africa/1812382.stm.

But the unexpected wild card in the protests against the 2005 G8 was Live 8 – the huge global rock concert event organised by Bob Geldof which reached quite nauseating depths in its sucking up to the Blair government. Live 8 was considerably less radical than even the most right-wing of the NGOs who at least were asking for something more than they were being offered. Live 8 dropped even any veneer of ‘protest’ and became explicitly pro-government – Richard Curtis, one of the main organisers, even said that the point of all the rock concerts was to support Blair inside the G8; to lend weight to him against the other G8 leaders.

The convergence between the government hosting the G8 Summit and the mainstream organisations lobbying the Summit, presided over by the media and proclaimed a done deal, was something that demanded a response from radicals.

In order to take a stance against this government stitch-up, radicals needed to be able to articulate why it was happening and what it meant. If the G8 Summit deal were to be seen as some unexpected act of benevolence on the part of the G8 leaders this would undercut a radical critique of the G8. It was necessary for radicals to explain what really lay behind the rhetoric and to explain why Blair and Brown particularly were pushing this agenda.

Why, after many years of accumulating debts for some of the world’s poorest countries and the governments of the richest seemingly oblivious to calls for debt relief, suddenly now was everything different? It would seem that multilateral institutions and Western governments profited from the debt, so why were they now willing to consider writing it off? And what differentiated those still planning to disrupt the Summit from the more mainstream organisations which were seemingly having their demands granted?

Here are some brief suggestions on what may be behind some of these moves towards debt relief and why this might particularly suit British national interests:

a) Debt relief will lift this burden off the economies of these ‘developing’ nations so that they can be properly integrated into the global market. The role that much of the ‘Third World’ has taken in the global economy to date has been as locations for resource extraction, but in order for the global economy to continue to expand, this is not enough. The economic growth of the ‘developing world’ is necessary for the continuing growth of the global economy. Third World debt has perhaps outlived its usefulness for global capital. It has been useful in providing a lever with which to force recalcitrant governments into line with the current global neo-liberal plan, but this has had the side effect that these countries were permanently trapped in debt-related financial crisis, making them little use apart from for resource extraction. Also much the same ‘levering’ role can now be played by the conditions attached to the debt relief as was played by the conditions attached to the loans in the first place.

Britain particularly is pushing this agenda as due to the importance of finance capital in the British economy (financial and business services as a whole account for over 70% of GDP³) Britain tends to take on the role of representing finance capital and capital-in-general on a global level.

As Gordon Brown told a Chatham House audience: “for the world economy to prosper and for the companies operating in it to have markets that expand, developing country growth is a necessity”. Without this, rich countries were “unlikely to maintain the growth rates we have enjoyed over the past 20 years”. He talked of: “bringing the millions who live in these countries into the modern productive economy.”⁴

b) There is no particular disadvantage for Britain in promoting or allowing the ‘development’ of some of the world’s poorer countries because the UK is one of the world’s most ‘advanced’ capitalist countries, in the respect that it is de-industrialised and de-agriculturalised to a greater extent than perhaps any other of the world’s leading countries. If these countries do ‘develop’, then the sectors of the economy that they are ‘developing’ are unlikely to present any competition to the mainsprings of the British economy.

c) Further to this, there is an actual advantage for Britain in that it has much of the finance capital and the corporations that are going to be going in and doing the ‘developing’. Britain has nothing much that ‘developing’ countries could possibly compete with but stands to economically benefit through the companies that will be doing the investing and consulting and running the privatisation programmes etc required by the conditions attached to the debt relief.

Recuperation was more of a problem for the G8 Summit protests than repression.

What people saw from the outside was a carefully managed spectacle, at its worst simply fulfilling the role of a giant PR campaign to polish Blair’s tarnished image after the Iraq war. It was a cynical exercise in using the language of the ‘global justice movement’ to sell the British government’s global agenda of privatisation and ‘free’ trade – an extension of neo-imperialism by another name. Many people involved in the more radical end of the Summit mobilisations realised this, but despite some attempts, we were unable to do enough to make a clearly visible stand against it.

Unlike some other summit mobilisations in other places, there doesn’t seem to have been a huge wave of police repression and downturn following the Gleneagles G8 – perhaps because our actions were not so spectacular.⁵ The problem for other movements has sometimes been that when the dust has cleared and everyone has gone home, radicals have been left in a much weaker position after the summit than before, with a combination of police repression, imprisoned activists to support and a general atmosphere of clampdown and a lack of public support for radicals. To the contrary, in this situation we *seem* to have been left in a stronger position. This is hard to call of course, but local groups have formed and worked together to organise against the Summit, there are new social centres in several towns

⁴ Speech given by the Chancellor of the Exchequer, Gordon Brown, at the ‘Financing Sustainable Development, Poverty Reduction and the Private Sector: Finding Common Ground on the Ground’ conference, Chatham House, London, 22 January 2003.

⁵ See ‘Days of Dissent: Reflections on Summit Mobilisations’ for some examples and discussion. Available at: www.daysofdissent.org.uk.

³ Economist Country Briefing: Britain.

and cities, and on a national level, there is a new anti-capitalist national network – the Dissent! network.

However, the Live 8/government hijacking of the protests nullified some of the political impact of the various protests and demonstrations. It was always going to be difficult to make clear our perspective when faced with the massive media onslaught around Live 8 and to try and prevent ourselves being seen as merely the radical wing of the whole Live 8, debt-relief spectacle – different in militancy, but not in essentials.

As much energy needs to be put into combating recuperation as into avoiding repression. But less thought was put into this in advance by those involved in the radical end of the G8 protests. The failure to distinguish ourselves from the positions of the mainstream NGOs was compounded by the decentralised nature of the Dissent! network, in that it included people whose politics were barely distinguishable from Make Poverty History and it included enough people whose politics were unclear enough that there was always a danger of things being produced under the Dissent! banner, which read as if they had been written by Christian Aid. This said, however, there were plenty of people who realised the necessity of making our position clear and put effort into doing so, but it was always going to be a very uphill task.

However, the hijacking of the agenda by Live 8 and the Labour government did not totally negate the value of the radical end of the G8 Summit demonstrations and the mobilisation to disrupt and blockade the Summit. Particularly when the reality of the paucity of the deals done at the G8 Summit began to come out in the days following the Summit, and it was obvious that it was going to be business as usual, the actions of radicals in attempting to shut down and blockade the Summit seemed to make more sense. Even if our ideas didn't get out through the media, our actions clearly did. And our actions conveyed a fairly clear message of the rejection of the G8. A message which was retrospectively justified by the clear pointlessness of much of the mainstream mobilisation, seeking to ask the very people, institutions and nations responsible for world poverty to go against their entire past record to try and end it.

End

Taking a stance outside of both aspects of the Summit protests allows us to see how both realities of the G8 protests were related.

As they have become more established, summit demonstrations have become ritualised. They are a known quantity – people know what is supposed to happen. There is less that is unknown and unexpected in them. There is therefore a tendency for people to come and fulfil their predetermined roles, to do their thing, like they have done before.

There was a real disconnection between the activist protesters and the whole spectacle of the Make Poverty History demonstrations, Live 8 etc. Not that there should have been an active engagement with this by the radicals, but it was as if they were in different worlds. The activists just got on and did their thing, preparing the blockades etc. and Geldof et al carried on with their thing on the level of the media.

The ritualised nature of summit protests leads to a disconnection or a disregard for their overall context. Each one is seen as just another in a series, its context being provided by the other summit protests that have gone before rather than the particular political circumstances surrounding the mobilisation.

Summit demonstrations have become a victim of their own success. They have dogged the leaders of the world wherever they have chosen to meet, forcing them behind giant fences and into more and more remote locations. They have helped extend an opposition to neo-liberal globalisation into the countries of the 'West'. They have created new links and networks between radicals and given new hope to them, creating new forms of politics and putting 'anti-capitalism' into everyone's heads.

But their very successfulness has resulted in them being stuck in a ritualised repetition. They have seemingly reached a plateau and their early promise to push beyond this has receded. From being something open, which had the potential to go in any direction, they have settled into way of being and taken on a form.

But how else could it have been? That is surely the point about so-called 'moments of excess'.⁶ that they are points at which possibilities open and anything could happen. Yet, it is in the nature of this state that it is brief. This situation cannot last long. Sooner or later it will settle into something. And the very fact of becoming *anything* rather than being a moment of openness, a jumping off point for an unknown future, must in a way feel like a disappointment.

So, unable to go further, having reduced all the potentialities open to a new phenomenon into merely one, you repeat. The process of something becoming ritualised is not unexpected. In a way it is in the nature of revolutionary politics. It is like a failed revolution.

In revolutionary politics, everything you do is an attempt to push beyond the world we live in now, to open up new cracks, new paths, to open up as much space for experiment in alternative forms of life as possible. And until we succeed, we are going to keep failing. That means there are going to be a lot of revolutionary moments and openings that have solidified into institutions or rituals: insurrections that have become organisations, uprisings that have given birth to networks, projects and infrastructure that remain when the initial cause is over.

Every little opening in alienation makes us want more. Things almost inevitably disappoint because we are always greedy for more. These summit demonstrations initially excited a lot of people because they seemed to open new possibilities, make new links and connections; they seemed to show a new way of being anti-capitalist. But they obviously could not go on pushing boundaries forever. They obviously were going to settle down into something that was more or less 'ritualised'.

Given that this is the case, the point is to preserve as many of the high points of a phenomenon as possible and to keep as much flexibility and openness as possible – not to completely ossify. We need to defend the gains that we have made and to when there is a wave of a radical upsurge, to ride that wave and somehow allow it to leave us in a better

⁶ A phrase used by the Leeds Mayday Group in discussing summit mobilisations. See: www.nadir.org.uk.

position when it recedes than we were in before, ready and better prepared for the next thing.

One way of preserving the gains of a particular innovation is through 'ritualisation'. This obviously has disadvantages, which, for example, many of the critics of summit mobilisations have pointed out: things become dull and stale, the authorities know easily how to deal with them, the element of surprise and unpredictability is lost, and they have no potential to go beyond this – they only promise more repetition of the same. However, if the 'ritualisation' of struggles is to a certain extent inevitable, then maybe we also need to look at the other side of this process.

The repetition of a winning strategy, or a form of action that worked, is one way of maintaining and keeping what you have gained. It also keeps up the pressure on your opponents, lets them know that you haven't gone away.

Given the unlikelihood of some tactic like summit mobilisations being able to push the boundaries endlessly, we are left with the choice to either abandon this form of action or to keep on. Both tendencies are present within activist politics. The tendency to establish something, some form of resistance and then after it has been successful, to abandon it and move on to something new is quite strong. Something new, a new issue, a new campaign, a new tactic, because it is new and untried still feels like it has the potential to go further and break the mould.

But partly this is just a product of its newness. Rather than always chasing after new things, there might be something to be said for a certain amount of ritual.

Historically, there have been ritualised forms of rebellion – folk customs of attacking the rich and powerful at particular times or in particular ways. These things are not necessarily totally bad – just limited. What's good about such things is also what is limited in them. When forms of rebellion become ritualised it can mean they are repetitive, stale, stagnant. But also that they are ingrained, have become customary, expected – which can be a big pain for those in power, but also simultaneously limiting for radicals. Things can become entrenched – with both the positive and negative sides of that – a position that is firmly held and very difficult for the enemy to shift but also difficult to move forward from.

It is a measure of the success of these summit mobilisations that they have bred both things – both the ritualisation of protest on the part of the activists and the recuperation of protest by pop stars and the government. These two things are connected in that a successful movement is more likely to become ritualised and a successful, ritualised, fixed form of protest is easier for those forces seeking to assimilate the movement back into the mainstream to latch on to. This has in turn generated this two-sidedness to the summit mobilisations and the disconnection between their two aspects.

Review:

Cyber-Marx

Nick Dyer-Witheford (University of Chicago Press, Urbana/Chicago, 1999)¹

The subtitle of this book is *Cycles and Circuits of Struggle in High-Technology Capitalism*. This hints of an attempt to analyse the current state of global class composition, to unearth the tendencies leading out of our current paralysis and offer hope of a new world. A *Communist Manifesto* for the 21st Century perhaps? The book's underlying aim is a little more prosaic however, attempting to critique the work of bourgeois 'information revolutionaries' who have propagandised recent technological developments as a fix for the crises of capitalism. But doesn't conceding that the world we are living in should be understood as *high-technology* capitalism mean that this critique is compromised right from the start?

The crisis of the social factory and the information revolution

Following the Second World War capital secured its golden age of uninterrupted growth. But despite those who proclaimed the 'end of ideology' (the eradication of class conflict and with it Marxism as a revolutionary force), the resumption of open class warfare characterised by autonomists as the 'refusal of work' increasingly undermined the productivity deals on which such growth was premised and raised the possibility of the end of capital instead.

Capital's response could only be to counterattack through another wave of drastic restructuring:

In the realm of government, the Planner State is replaced by the 'crisis state' – a regime of control by trauma in which 'it is the state that plans the crisis'. Keynesian guarantees are dismantled in favour of discipline by restraint; unions hamstrung by changes in labour law; monetary policies exercised to drive real wages down and unemployment up; and welfare programs brought under attack. At the same time corporate managers take aim at the industrial centres of turbulence, decimating the factory base of the mass worker by the automation and globalization of manufacturing. Dismantling the Fordist organisation of the social factory, capital launches into its post-Fordist phase – a project that, however, must be understood as a technological and political offensive aimed at decomposing social insubordination. (p.76)

The devastating effects of this technological offensive on class composition are well known to us in Britain. Amongst the series of critical industrial confrontations where innovations in information technology played a critical role are the examples of the British miners undercut by the Minors robot drill and the Fleet Street printers annihilated by computerised typesetting. This technologically armed counter-offensive by capital has inflicted a serious defeat upon the working class, and left Marxist thought reeling:

There is now widespread acceptance even on the left that aspirations for proletarian autonomy have met a technological nemesis – that capital may have succeeded in achieving its age-old goal of emancipation from the working class. (p.79)

It is the shadow of this defeat that provides the context for the work of the 'information revolutionaries'.

Information revolutionaries

Dyer-Witheford demonstrates how the 'information revolutionaries' have developed their theories through an antagonistic dialogue with the spectre of Marxism. This development begins with the 'end of ideology' thesis that had to be abandoned in the face of the working class offensive of the late 1960's. The response to the return of class war was to understand such conflicts as the '*growing pains associated with the emergence of a radically new social order*' (p. 17). *The Coming of Post-Industrial Society* by Daniel Bell in 1973 argued that the increasingly systematized relationship between scientific discovery and technological application was making theoretical knowledge society's central wealth-producing resource, leading to the erosion of the working class.

The 'information revolutionaries' have revamped the post-industrial thesis as the transition to the 'information society' in which industry has been succeeded by information. The 'revolutionary doctrine' of those who have argued that this 'information revolution' is both inevitable and desirable, and to which one must adapt or face obsolescence is summarized by Dyer-Witheford in seven points:

1. The world is in transition to a new stage of civilisation, a transition comparable to the earlier shift from agrarian to industrial society.

¹ Available for free at:
<http://www.fims.uwo.ca/people/faculty/dyerwitheford/>

2. The crucial resource of the new society is technoscientific knowledge.
3. The principal manifestation and prime mover of the new era is the invention and diffusion of information technologies.
4. The generation of wealth increasingly depend on an 'information economy' in which the exchange and manipulation of symbolic data matches, exceeds, or subsumes the importance of material processing.
5. These techno-economic changes are accompanied by far-reaching and fundamentally positive social transformations.
6. The information revolution is planetary in scale.
7. The information revolution marks not only a new phase in human civilization but also a new stage in the development of life itself.

Alvin Toffler is a former Marxist who has popularised these ideas and polemized against what he now considers to be an obsolete Marxism. According to Toffler, as the information economy eliminates the factory so the legions of mass labour vanish, and with them Marx's historical protagonist. The industrial proletariat disappears to be replaced by workers who 'own a critical, often irreplaceable, share of the means of production': knowledge. Thus the foundation for Marx's theory of class conflict falls away – class as a collective identity based on adversarial relations of production will have been dissolved.

For the information revolutionaries, therefore, information technology has created a world in which communism is neither possible nor necessary.

Marxisms

Dyer-Witheford wants a Marxist response to the claims of the 'information revolutionaries'. Indeed Harry Cleaver states that the book 'may well be seen as the Marxist response to Toffler's *Third Wave*'. And Dyer-Witheford himself outlines his project early on in the book as a Marxist critique of these claims:

In what follows, I [...] analyze how the information age, far from transcending the historic conflict between capital and its labouring subjects, constitutes the latest battleground in their encounter; how the new high technologies - computers, telecommunications, and genetic engineering - are shaped and deployed as instruments of an unprecedented, worldwide order of general commodification; and how, paradoxically, arising out of this process appear forces that could produce a different future based on the common sharing of wealth - a twenty-first-century communism. (p.2)

So Dyer-Witheford argues that this exorcism of the ghost of Marx has failed, but that various Marxian schools or tendencies have failed to mount an adequate challenge to the 'information revolutionaries'.

One line of Marxist thought, Scientific Socialism, 'which understands technological development as an autonomous force, a motor of history, whose ever-expanding productive powers smash relentlessly through anachronistic forms of property ownership in a trajectory heading straight to the triumph of socialism' connects Marx, Engels,

Bukharin, Bernal and Cohen with Ernst Mandel. His *Late Capitalism* deals with many of the phenomena identified by the post-industrialists and includes an explicit refutation of the ideology proclaiming a technical fix for the contradictions of capital.

For Dyer-Witheford however Mandel's opus is fatally flawed because of its objectivism:

In Late Capitalism the dance of machines and capitalists moves like clockwork toward a foreordained conclusion that uncannily echoes the linearity of the postindustrial doctrine. ...Mandel's dialectic of productive forces and relations, in short, skips over class struggle. (p.46-47)

In the 1960s new strands of Marxist thought sought to make sense of the revolts against the technology of assembly lines and the war machine. The project to criticize technology-as-domination developed along two streams – one focussed on the labour process, the other exploring the mass media.

Labour Process theory, inspired by Harry Braverman's *Labour and Monopoly Capital*, focussed on the 'degradation of work', arguing that computerised labour processes were deployed to break the power of skilled workers and reassert managerial control. The other stream drew on the work of the Frankfurt School, deepening the analysis of the 'culture industry' by analysing the capitalist media as a tool of domination. From corporate ownership of the means of communication flows 'ideological control'. These two streams were subsequently melded together by Kevin Robins and Frank Webster in their work on 'Cybernetic Capitalism' which paints what Dyer-Witheford calls a relentlessly bleak picture of capitalist control of knowledge and information extended from the factory to society as a whole.

The only possible response within this perspective is then one of neo-Luddism. But then:

The more persuasively such analysis demonstrates the complete instrumentality of technoscience to capital, the harder it becomes to posit credible opposition or alternative. [...] This dilemma is repeated by many later theorists, in whose portrait of techno-capitalism revolutionary possibility gives way to dystopian nightmares of indoctrination, surveillance, and robotization. (p.53)

If neo-Luddism abandons Marxism through 'despair at the oppressive power of capital's new technologies' then post-Fordism does so through 'enchantment with their liberatory potentials'. But while this may be a return to the 'positive' Marxian attitude towards technology it differs importantly from the views espoused by Mandel. Scientific Socialism promoted a revolutionary teleology, the final victory of socialism. The theory of post-Fordism advocates a technological reconciliation of workers with capital.

The 'Regulation School' developed the notion of Fordism as a mode of accumulation with integrated wage relations and consumption norms. This mode of accumulation is taken to have gone into crisis in the late 1960's ushering in a period of uncertainty and restructuring.

Advocates of post-Fordism assert that computerised technologies have enabled the establishment of a new regime of accumulation based on high-tech craftwork: 'flexible specialisation'.

Dyer-Witheford points out that

...embedded within the theoretical apparatus of the Regulation School is a deep tendency to downplay the conflict at the heart of capitalist society. For its analysis takes as its focus and 'point of entry' the requirements for capital's successful organization of society, not the contestation of its rule. (p.59)

The theory of post-Fordism assumes that restructuring will succeed. It assumes that the task of Marxism is to find a way out of the crisis.

But the Marxist project has never been to help capitalism find a way out of crisis. It has been to find a way out of capitalism. (p.60)

So Dyer-Witheford wants a Marxist response to the challenges posed by the information revolutionaries, one which acknowledges the centrality of class conflict and the possibility of revolution. But:

All these accounts suffer major defects as a reply to the anti-marxist challenge of the information revolutionaries. In a way that uncannily mirrors the logic of their opponents, scientific socialists effectively liquidate human agency and substitute for it an inexorable, and ultimately sinister, technological automatism. Technology-as-domination theorists restore to view the question of the subjectivity constituted by a machine-saturated society – but can conceive of it only as a process of victimised exploitation, to which the best response is a reactive, heroic, but probably hopeless neo-Luddism. Many post-Fordist accounts, on the other hand, have embraced so much of the information revolutionaries' own euphoria about the new subject of technology as to essentially abdicate the negative moment of critique and subscribe to capital's own logic of technological development. (p. 61)

Antonio Negri and the theory of the socialised worker
So, Orthodox Marxism has failed to respond adequately to the 'information revolutionaries'. But Dyer-Witheford believes he has found a response within the heterodox currents of class struggle Marxism². In particular within Autonomist Marxism³, or to be precise, within the writings

² Instead of seeing history as the unfolding of pre-given, inevitable, and objective laws, the class-struggle tradition argues that such "laws" are no more than the outcome of two intersecting vectors—exploitation and its refusal... (p.63).

³ For Dyer-Witheford the key to autonomist theory is the inversion which rediscovers Marx's analysis affirming the power, 'not of capital, but of the creative human energy Marx called "labor" — "the living, form-giving flame" constitutive of society'. Capital attempts to incorporate labor as object, but this inclusion is never

fully achieved; workers struggle against subsumption and this struggle constitutes the working class. This perspective identifies the tendencies to incorporation within capital (as labour power) and independence from capital (as working class) as contending potentialities permeating the labor force.

The struggles of the working class are analysed using the concepts of *class composition* and *cycles of struggle*. Class composition is a process of cohesion, a measure of the ability of the class, through the interconnectedness of the multiplicity of its struggles, to constitute itself as a 'dynamic subject, an antagonistic force tending towards its own independent identity' (p.66). Capital must respond to this challenge by restructuring, comprising organisational changes and technological innovations, thereby *decomposing* this collectivity. But this restructuring requires new and different types of labor, opening up the possibility of working class *re-composition* with fresh capacities for resistance. This process of composition/decomposition/re-composition constitutes a *cycle of struggle*.

Within this cycle of struggle, however, there remains the possibility for the working class to rupture the recuperative movement of capital because, whilst capital needs labor, labor can dispense with the wage and organise its own creative energies; It is potentially autonomous.

Of primary importance for this book, of course, is the autonomist perspective on technology, which is seen by Dyer-Witheford to have two aspects. The first is an analysis of technoscience as an instrument of capitalist domination, a weapon against the working class. This is the perspective of Panzieri's rage against the use of machines to break class solidarity in the industrial factory. The second perspective is that of contestation, which is seen to take two forms.

On the one hand there is the sheer refusal of Negri's *Domination and Sabotage*, with similarities to the neo-Luddism criticised in the previous chapter. The other form of contestation central to autonomist theory, Dyer-Witheford asserts, and one which he sees giving its analysis greater dynamism than neo-Luddism, is that of workers using their 'invention power' to re-appropriate technology. This is the perspective of Berardi's 'worker's use of science' to 'subvert the instruments of information' as occurred in the pirate radio stations which played an important role in the *autonomia* movement.

Dyer-Witheford argues that maintaining both that machines can be used to dominate workers, and that workers can use said machines against capital, does not imply that they are 'neutral', there to be used or abused:

We can accept that machines are stamped with social purposes without accepting the idea that all of them are so deeply implanted with the dominative logic of capital as to be rejected. For if the capital relation to its very core is one of conflict and contradiction, [...] then this conflictual logic may enter into the very creation of technologies.

Thus, for example, automating machinery can be understood as imprinted with the capitalist's drive to deskill and control workers, and also with labor's desire for freedom from work-to which capital must respond by technological advance. [...] Along the way communication technologies have been shaped by both forces. This is not to say that technologies are neutral, but rather that they are often constituted by contending pressures that implant in them contradictory potentialities: which of these are realized is something that will be determined only in further struggle and conflict. (p.71-72)

This interpretation of autonomist analysis, therefore, allows Dyer-Witheford to 'reconceive the process of deconstructing and reconstructing technologies as itself part of the movement of the struggle against capital' (p.72).

of Antonio Negri and his collaborations within the French group *Futur Antérieur* during his exile.

Negri's theoretical trajectory in response to capitalist restructuring has been to develop the notion of the *socialised worker* as the new subject of struggle. As the foci of power of the mass worker became dispersed through outsourcing, subcontracting and other means of fragmenting the production process Negri argued that creation of value could no longer be seen as an activity restricted to the production process, and that the demarcation between production, circulation and reproduction had been dissolved⁴. For Negri, capital "socialises" itself to escape from the mass worker and in doing so refracts its conflictual tendency across the entire spectrum of social activity. Capital's insistence that lifetime be subordinated to profit has necessarily provoked antagonism, and for Negri there has been growing evidence of a new cycle of struggles – that of the socialised worker.

According to Negri, the new communicative capacities and technological competencies associated with this deployment of information technology have become the premises and prerequisites of everyday life in what Dyer-Witheford calls '*everyday life in a highly integrated technoscientific system permeated by machines and media*'. (p.84). But as the socialized worker develops these capabilities capital must ensure that they are deployed towards its ends rather than those of the workers. Thus the process of expropriation has changed qualitatively:

Capital must appropriate communication. It must expropriate the community and superimpose itself on the autonomous capability of manufacturing knowledge, reducing such knowledge to a mere means of undertaking of the socialised worker. This is the form which expropriation takes in advanced capitalism – or rather in the world economy of the socialised worker. (p.85 quoting from Negri, *Politics of Subversion* p.82. Emphasis in *Cyber-Marx*.)

A new form of expropriation is by definition a new form of the class struggle:

This antagonism can be schematically represented as a conflict between communication and information... (p.86)

The struggles that Negri has in mind within this formulation, according to Dyer-Witheford, include conflicts over 'team concepts' and 'quality circles' within production⁵,

⁴ Dyer-Witheford seems not to feel the need to obliterate the demarcations between the different phases through which value passes in its process of self-expansion. But he clearly does not understand the circuit of capital. To Marx's phases of production and circulation he seeks to add the phases of the reproduction of labour power and the reproduction of nature. This fails to distinguish between the social forms through which capital moves and its prerequisites. Marx may have benefited from dialogue with feminists and environmentalists, but he would not have allowed the clarity of his critique of political economy to become clouded by 'political correctness'.

⁵ The introduction of 'team concepts' to production serve two main purposes. One is ideological, seeking to replace antagonistic 'us and

alternative media contesting corporate control of news and imagery, struggles within schools and universities over the content of studies, patenting versus free use of medical and ecological knowledge, and the struggles against the corporate colonization of cyberspace. Just as all functional activities are now supposedly productive of value, all conflictual activities are immediately class struggle.

Dyer-Witheford acknowledges some of the criticisms which have been voiced against Negri's thesis, such as Alan Lipietz's accusation that Negri has embarked on a 'headlong voluntarist flight into the future' and Sergio Bologna's assertion that Negri was washing his hands of the continued difficulties of the mass worker to ply the traditional trade of the theorist in possession of some grand synthesis⁶. He considers also the argument put forward by George Caffentzis that rather than this process of unification and empowerment described by Negri the working class has rather experienced intensified fragmentation and hierarchization.

But the overall theoretical trajectory of his book illustrates his support for Negri's thesis. Indeed the concluding chapter of the whole book is a consideration of the work produced by Negri and his allies in the French journal *Futur Antérieur* which essentially consists of further development of the socialized worker thesis⁷.

Information revolutionaries refuted?

If the central aim of this book was to refute the notion put forward by the information revolutionaries that recent technological developments have neutralised the possibilities for class struggle then Dyer-Witheford has provided ample empirical evidence that class antagonism continues to pervade contemporary capitalism⁸. By doing so he has made the case for the continued relevance of Marxism⁹.

But whether this analysis of concrete examples of struggles supports the ideas suggested by Negri for how contemporary struggles should be theorised is more questionable. Today's protagonists do indeed make use of the most efficient means of communication available to them, just as previous generations have. But does that justify

them' work cultures with a harmonious 'all working together' culture of identity with the firm. The other is organisational, replacing the discreet tasks of the Taylorised assembly lines with work teams who are flexible enough to cover each others absences and perform tasks such as maintenance during slack periods, thereby allowing a greater intensity of work. Quality circles are discussion forums which seek to engage workers to make suggestions for improving the efficiency of production; ensuring better quality products, speeding up production etc.

⁶ See *Storming Heaven* by Steven Wright, particularly chapter 7 for more detail and a historical context for Negri's early theoretical development of the socialized worker and the opposition to him within *autonomia*.

⁷ *Futur Antérieur* has developed the notion of 'mass intellectuality', which is the know-how required for the 'socialized worker' to perform the 'immaterial labour' which is his or her work.

⁸ Chapter 5 looks at recent struggles throughout (Dyer-Witheford's reconceptualisation of) the circuit of capital and Chapter 6 considers movements against 'globalization'.

⁹ And also his continuing relevance, as a Marxist, within academia. Dyer-Witheford teaches in the Faculty of Information and Media Studies at the University of Western Ontario.

abandoning theory which has proved central to an understanding of capital's process and our lives within and against it?

Despite insisting that society is still riven by class antagonism and that revolution is still both possible and desirable, both Negri and Dyer-Witheford broadly agree with all seven of the points outlined as defining the perspective of the information revolutionaries. That is not to argue that bourgeois theorists are necessarily wrong. Rather that their perspective is *necessarily* partial and therefore one-sided. One might expect a Marxist analysis to preserve the moments of truth in the information revolutionary's thesis whilst penetrating beyond the superficial appearance of advanced capitalism from which they have drawn their conclusions. Instead they have chosen to accept this appearance and decide that it is Marxism which needs reformulating.

We have major reservations concerning Negri's theory, concerning the questions of capital and the critique of political economy, the class struggle and revolution.

1. Capital and the critique of political economy We now live in an information society, supposedly. This viewpoint, which was perhaps more fashionable before the dot.com bubble burst a few years ago, sees the disappearance of traditional manufacturing industries from Western Europe and North America but the continued accretion of profits here. Blind to the fact that these profits are a mere distributional form of surplus value the bourgeois mind sees the activities giving rise to these profits as themselves wealth creating. And so does Dyer-Witheford. But this wealth is still created by surplus labour expended in the production of commodities. The profits made in the financial services sector, in retail, in the sphere of circulation, on which the UK economy in particular depends on so much, still have their origin in the alienated labour of workers in the sphere of production¹⁰.

Furthermore, if Negri and Dyer-Witheford were right that the valorisation process is no longer an aspect of the material production process, but instead occurs everywhere that human activity occurs, then we would have to base our drive for communism simply upon moralistic pleading for a better world for all. Capitalists are active too, after all. But not all activity is productive of capital. It is the wage-labour of the proletariat which produces capital. Thus bourgeois society is premised upon class exploitation. And we do not need to ground our trajectory towards communism upon utopian visions, but upon partisan class interest.

¹⁰ The extent to which mass production has been relocated to newly industrialising areas is often overlooked by those who propose theories of the information society, post-Fordism, the second phase of real subsumption, cybernetic capitalism etc. Without wishing to downplay the importance of changes which have occurred in North America and Western Europe it is important to recognise that those industries and working practices which advocates of these theories see as consigned to a bygone era are in fact alive and well. It is just that they have been shifted to what were once the peripheries of global capitalism. Theories which attempt to grasp contemporary capitalism by extrapolating from, say North American or West European experience, do not take account of basic facts such as that the industrial proletariat in China now outnumbers the entire working population of the USA.

2. Class Struggle Doesn't Dyer-Witheford insist on the continued centrality of class antagonism though? Well, not exactly. What remains of fundamental importance for him is the conflict between *capital and its labouring subjects*. But what are the theoretical and political consequences of transposing the conflict between capital and the proletariat into that between capital and 'its labouring subjects'?

This formulation neatly avoids having to deal with the question of class. Dyer-Witheford does not need to criticize or explore the real limits to and potentials of campaigns, coalitions or movements because we are all equally important under capital and do not need the development of a *class perspective*.

That is not to say that all struggles offer the same potential, or are equally important for Dyer-Witheford. Struggles are given importance according to the extent to which they operate upon the cyber-terrain of information technology. The conflict between 'capital and its labouring subjects' is understood to be the war between 'communication' and 'information', the battle for the 'general intellect'. This reformulation of the class struggle places words above actions, or the action of communication above any other subversive activity. The appeal of this to Dyer-Witheford is obvious. He correctly identifies that he is able to use as a logical conclusion to the book his own personal experience of subverting his role as a teacher in a University, deciding what to teach. The struggles of the intelligentsia, according to this analysis, now play a central role because they almost by definition concern the activity of communication. And dispensing with the need for a class perspective neatly sidesteps those thorny issues about the role of the radical intelligentsia in the struggles for the self-emancipation of the proletariat.

3. Revolution The treatment of the question of revolution correlates logically with the treatment of class struggle. For Dyer-Witheford this transformation is understood as 'autovalorisation' and occurs when the cycle of struggles achieves 'escape velocity'. Reducing the problematic from the qualitative one of the radicality of practical critique¹¹ to the quantitative one of gaining the necessary speed to escape capital's recuperative movement dispenses with the need to identify the limits of struggles in order to go beyond them in favour of a much more simple solution: one which can be measured in bytes per second.

Indeed, just as the intelligentsia are considered central to the new paradigm of class struggle, so they are to the process of revolution. Dyer-Witheford puts forward a 'battlefield map' of initiatives whose advancement would contaminate and overload the circuitry of capital with demands and requirements contradictory to the imperatives of profit (p.217). These include the campaign for a guaranteed income, the establishment of universal communications networks, and the use of these networks in participatory counter-planning and democratic control over scientific and technological development. In other words we

¹¹ What do we mean? We mean the problematic of the class having the experiences through which it has defetishised the social relations of capital (or gained the consciousness as some would put it) and developed the physical capacity and level of violence required to expropriate the capitalist class, socialise production, resist and thereby liquidate state power.

are to take up the banners painted by radical academics and dissident professionals and rally to their causes. By doing so we will bring communism into being:

Pursuit of these interrelated measures would cumulatively undermine the logic that binds society around market exchange and increasingly require the reassembly of everyday activities into a new configuration. (p.217)

Notwithstanding Dyer-Witheford's warnings concerning capital's willingness to defend itself with violence this autvalorisation process seems to be a remarkably smooth one. Such ease is enabled by the ripeness of capitalism for such a transformation. Dyer-Witheford believes that this old world is pregnant with the new and that the gestation period has elapsed. This belief, and his willingness to swallow Negri's fantasies, are based, in the end, on his faith in the old man and his infamous '*Fragment on Machines*'

The '*Fragment on Machines*'

In the introduction to this book, as well as in its concluding chapter, Dyer-Witheford makes it abundantly clear that he attaches great importance to the '*Fragment on Machines*' from Marx's *Grundrisse*:

At a certain point, Marx predicts, capital's drive to dominate living labour through machinery will mean that "the creation of real wealth comes to depend less on labour time and on the amount of labour employed" than on "the general state of science and on the progress of technology. The key factor in production will become the social knowledge necessary for technoscientific innovation—"general intellect". (p.4)

There is no doubting that for Dyer-Witheford this time has finally come. And we can see how important such a belief is of his support for Negri and his reformulation of the class struggle. It is also clear how this return to the *Grundrisse* helps Dyer-Witheford to delineate the transformed nature of the transition to communism in the current epoch:

Automation, by massively reducing the need for labour, will subvert the wage relation, the basic institution of capitalist society. And the profoundly social qualities of the new technoscientific systems—so dependent for their invention and operation on forms of collective, communicative, co-operation—will overflow the parameters of private property. The more technoscience is applied to production, the less sustainable will become the attachment of income to jobs and the containment of creativity within the commodity form. In the era of general intellect "capital thus works towards its own dissolution as the form dominating production". (p.4)

Thus because Marx's prophecies have finally come true Dyer-Witheford can conceive of the transition to communism along the lines of the classic conceptual framework of the ripeness of the contradiction between the forces and relations of production.

Such an acceptance that Marx's prophecies have now been realised by the information revolution is completely arbitrary of course. Why now? Why not in the future? Capitalism is always *high-tech* in the present and only looks otherwise from a point not yet reached. But arguing about whether or not we have yet arrived at the time when these reformulations abandoning the law of value, transforming the essential form of expropriation and class struggle and the nature of the transition to communism become justified would miss the point. It would accept the elevated importance of Marx's '*Fragment of Machines*'.

George Caffentzis rightly points out in his polemic with Negri¹² that Marx returned to the questions first raised in the *Grundrisse* when he wrote *Capital*. The problem of the increasing use of machinery and with it the expulsion of living labour, the source of value, is addressed in Volume 3 of *Capital* in Part III on '*The Law of The Tendency Of The Rate Of Profit To Fall*'. Chapter 13 examining '*The Law As Such*' shows how as the proportion of total capital made up by constant capital increases (the increasing organic composition of capital) the *rate* of profit must decrease. But even in this chapter, which recognises that the portion of value in which labour power is expressed forms a diminishing part of total advanced capital, Marx is at pains to stress that absolute mass of labour put into motion by social capital grows. Indeed he argues that the absolute *mass* of profit must increase aside from temporary fluctuations. Furthermore the following chapter outlines the counteracting influences (increasing intensity of exploitation, depression of wages below the value of labour power, relative overpopulation, foreign trade and the increase of stock capital).

We are no longer presented with an image of technological development producing a capitalist mode of production which has undermined itself. Contradictions and crises yes, but not a technological limit beyond which the relations of production have become fetters upon the development of the productive forces. Rather the possibility of expanded accumulation of capital and of the wage form. Caffentzis is surely right to point towards the continued importance of the above counteracting tendencies, highlighting the existence of low organic composition sectors of capital and the massive increase in wage labour across previously undeveloped parts of the globe, and to argue that these low-tech industries play a massive role in maintaining the average rate of profit.

Whilst Negri and Dyer-Witheford remain enchanted by the visionary seductiveness of this evocative passage from the *Grundrisse* we are less inclined to ignore the fact that after much reflection Marx's analysis was much more sombre. We are not inclined to believe we have arrived, or ever will, at the point where our understanding of capital, class and revolution will need to be abandoned in favour of these poetic reformulations.

Like Dyer-Witheford we are driven by change to theorise developments, and develop our theory. The adequacy of our concepts must continually be questioned. We too appreciate the huge significance of the *Grundrisse* in

¹² *The End of Work or the Renaissance of Slavery? A Critique of Rifkin and Negri* by George Caffentzis. Available at <http://oldlists.village.virginia.edu/~spoons/global/Papers/caffentzis>

pointing beyond the objectified categories preserved by orthodox Marxism. And we too have drawn inspiration from the work of Negri. But we reject a fetishistic relationship with the 'Fragment on Machines' as being the basis for finding our way forward.

Conclusion

George Caffentzis argues that Negri has lost sight of the real class struggle today because he has spent too much time focussing on a small circle of post-modern thinkers. Perhaps Dyer-Witheford has spent too much time listening to the inflated claims of 'information revolutionaries'. His book

tackles a lot of important issues. He has done a lot of research into the class struggle today. And he will no doubt play an important role in identifying and articulating the new vectors of struggle which will undoubtedly emerge from those industries created since the defeat of the post-war offensive against capital.

Anyone reading this magazine would find much of interest in *Cyber-Marx*. But if what they are really interested in is 'cycles and circuits of struggle in high-technology capitalism', the return of wildcat strikes last year in the Post Office, and this year's dramatic wildcat strike by catering workers and baggage handlers at British Airways suggests that there will be better, if less evocative, ways of understanding the class struggle today than those proposed in Dyer-Witheford's 'battle for the general intellect'.



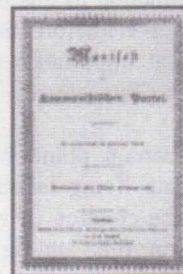
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STOP THE CLOCK!

critiques of the new social workhouse

**(Wildcat, Mouvement Communiste,
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In recent years, a number of ex-autonomist and leftist groups have been trying to build a broad European-wide movement around a common programme of radical demands concerning unemployment, working-time reduction and a guaranteed minimum income. In the UK, too, such demands as a 'basic income', seen as a strategy for undermining the relation between work and human needs embodied in the wage, have been taken up not only by (post-)autonomists but also by Greens and more traditional leftists. Such strategies need to be judged in terms both of whether they come out of a real movement. When the working class is weak - as we are now - such demands merely contribute to the dynamic of capital. The articles in this pamphlet on reforms already taking place in Europe show very clearly how apparently radical demands, such as working-time reduction, have been co-opted as part of the post social democratic project.

We have put this collection of articles together because we feel that each of them serves as an important contribution to a confrontation with and critique of some of the prevailing currents in the political debate over how to take new working class struggles forward. This collection does not necessarily reflect a common project among the different groups. Nevertheless, you will find some common elements in the groups' perspectives - such as the refusal of work as a basic element of working class struggle, and the conviction that working class emancipation will come from working class self-activity not from mediators such as trade unions which seek accommodation with capital and the state. The kind of radical-reformist strategies we are attacking here are likely to re-emerge in different guises again and again until the link between the struggle to mitigate alienation and the struggle against alienation itself is finally realized and transcended, and human history can at last begin.

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Aufheben

There is no adequate English equivalent to the German word *Aufheben*. In German, it can mean 'to pick up', 'to raise', 'to keep', 'to preserve', but also 'to end', 'to abolish', 'to annul'. Hegel exploited this duality of meaning to describe the dialectical process whereby a higher form of thought or being supersedes a lower form, while at the same time 'preserving' its 'moments of truth'. The proletariat's revolutionary negation of capitalism, communism, is an instance of this dialectical movement of supersession, as is the theoretical expression of this movement in the method of critique developed by Marx.